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PUBLICATIONS  
OF THE  
AMERICAN ECONOMIC ASSOCIATION

THIRD SERIES.  
VOL. VII, No. 1.

ISSUED QUARTERLY.  
PRICE, \$4.00 PER YEAR.

PAPERS

READ AT THE

EIGHTEENTH ANNUAL MEETING

BALTIMORE, Md.

DECEMBER 27-29

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FEBRUARY, 1906.  
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PUBLISHED FOR THE  
AMERICAN ECONOMIC ASSOCIATION  
BY THE MACMILLAN COMPANY  
NEW YORK  
LONDON: SWAN SONNENSCHEIN & CO.

Entered as Second Class Matter at the New York, N. Y., Post Office, May 23, 1900

PRICE, IN PAPER, \$1.00

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## THE LOVE OF WEALTH AND THE PUBLIC SERVICE.

PRESIDENTIAL ADDRESS BY F. W. TAUSSIG

The topics on which I propose to touch this evening lie in the borderland between economics, politics, and psychology. This sounds formidable; but my subject is after all of a very simple sort. I shall consider the motives that actuate able men in the conduct of large industrial enterprises, and the possibility of enlisting in greater degree the services of such men in the administration of public business. I shall consider further some of the conditions under which democracy must work, and some ways in which democracy may perhaps work better in the future. These are matters to which all thoughtful men have been compelled to give attention in recent years. I can offer nothing novel on them, and shall be content if only I succeed in strengthening familiar conclusions or illustrating afresh familiar principles.

When Nassau Senior, perhaps the most scholarly and wide-minded economist of the British school, enumerated the postulates of political economy, he contented himself with mentioning a single trait in human nature. He set forth such fundamental things as the law of diminishing returns, the tendency of population to increase, and so on; and then went on to state in the simplest terms the one motive from whose working he conceived that useful conclusions could be drawn: "that every man desires to obtain additional wealth with as little sacrifice as possible." This was among the postulates of the science: something so self-evident, or so completely established by other sciences, that the economist might accept it once for all as a basis for further reasoning.

No doubt the ready acceptance of this proposition as simple and self-supporting was due to the general intel-

lectual trend of the time. The drift was in all directions toward simplicity and unity, toward the analysis of complex phenomena into a few elements. In psychology, the doctrine of association of ideas was dominant: all human impulses were resolved into processes of association with simple elements. In ethics, utilitarianism held the field: the sense of right and wrong, so far from being thought innate, was regarded as a simple precipitate of mankind's experience of gain or loss from different modes of conduct. In economics the Ricardian theorems lent themselves to a brief and consistent statement of a few ruling principles, leading easily to a compact system of clear-cut conclusions. All this made natural a rapid analysis of the motives that influence men in their economic doings: plain striving for wealth, such as was seen in operation on all sides.

Since those days the course of thought has much changed. Psychology has doubled on its tracks, as it were; association of ideas does not tell the whole story; human nature, we find, works with no single motive force, but with a curious assortment of inconsistent impulses. Utilitarianism throws a flood of light on the directions which our moral judgments take; but it remains a question whether there be not an instinct of right conduct, very variable in range and degree, but no less deep rooted than other instincts of the race. In economics, much as the science has gained by the Ricardian method of analyzing the bare working of fundamental forces, we feel the imperative need of bearing in mind the complexities of real life, the interaction of opposing or converging causes. And so we are not content with the acceptance of a simple desire for additional wealth as the one human motive that deserves the attention of the economist. Why always additional wealth? and why additional wealth only? and is it not possible that further examination of the apparently simple desire for wealth may open new inquiries and point the way to new conclusions?

In considering these questions I shall have in mind primarily the kind of person described in our books as the "captain of industry"; the manager of large affairs, the successful man. The qualities which this sort of person must possess, and the nature of the operations he conducts, have been abundantly discussed in recent economic literature. But more has been said of the things that he does than of the motives that lead him to do them. The desire for wealth which actuates him is, as Cliffe Leslie long ago remarked, not a simple motive, but a very complex one, made up of all sorts of differing passions and instincts. In trying to analyze him I confess to have something of the feeling which the naturalist must have when called on to examine and classify an ichthyosaurus or a megatherium,—a huge and elaborate monster, doubtless very terrible in the real world, and not to be dissected even in the scholar's laboratory without fear and trembling. Yet deliberate examination may be expected to show that, however strange on first inspection, and however striking as a species by himself, this remarkable sort of person partakes of the general characteristics of the genus homo, and that his ways can be analyzed and laid bare like those of the ordinary man.

The several aspects or constituent elements of the complex desire for wealth may be analyzed under four heads: first, love of ease and comfort; second, desire for distinction; third, the impulse to activity; fourth, the passion for power and mastery.

Of the first of these, the love of ease and comfort, little need be said, both because the motive itself is simple and obvious, and because it seems to play no great part in our problem. We all wish abundant and varied food, ample clothing, sufficient house room, opportunity for recreation, and other resources of prosperous living. The wide diffusion of such physical comfort, and the extent to which the arts must advance before a satisfactory average can be secured, constitute the problem of production

for society as a whole. But for the limited section of society which we now have in mind, this factor can play no great part. An income very modest in the eyes of modern fortune-seeking suffices for all essentials. Much more than this is sought by the would-be captain of industry; and to understand the springs of his doings, we must consider chiefly the other motives.

Far more effective is the desire for distinction, a motive so all-pervading that, like the pressure of the air, it acts on us without our being conscious of its power. Much that we might be disposed to ascribe to the love of material ease is but a manifestation of the desire for distinction: as in our clothing, our houses, even our food. It belongs among the primary human impulses; it shows itself in the earliest stages of tribal life, and seems to gather strength as society advances to more complex stages. It persists in defiance of all the principles and traditions of democracy. So wide-reaching and ineradicable is it that the social reformer must perforce reckon with it. We can not hope to root it out, even should we desire to do so. All that can be expected is to modify its growth, and cause it to develop in ways helpful for the common welfare.

Doubtless the form of the love of distinction which is most widely felt is the desire for social superiority,—using the word social in its narrow conventional sense. Each layer in society deems itself better than that below, and wishes to be as well thought of as that above. Each set decks itself with those outward symbols, from starched linen to stately mansions, which proclaim to the onlooker what stage of worldly advancement has been attained. The snobbery of the race, however flouted by the satirist, persists in undiminished strength. And this is a factor of the first importance in the economic world. It is a prime motive for the accumulation of wealth, and so for the increase of the community's capital.

The recognition of wealth as sufficient in itself to accredit the owner in the social scale came first in Great

Britain. Admission to the shining ranks of the upper class has been the dream of every Briton; wealth, if piled high enough, has been, next to martial renown, the surest means of securing entrance. This materialization of the British aristocracy has unquestionably had a powerful effect on the activities of the business class. It has served to promote enterprise, invention and the accumulation of capital, and has been no small factor in bringing about that industrial leadership which Great Britain retained through the nineteenth century. The same influences have shown themselves in other countries, tardily at first, but with gathering strength during the last generation or two. In the United States, in the absence of hereditary dignities and titles, wealth became naturally the main avenue to social distinction. Here, as in Great Britain, it has sometimes taken a generation or two before the desired goal was attained; but admission to the set which deems itself exclusive has been attained by the millionaire's children, or at all events by his later descendants.

It is not easy to say just in what way and to what degree the love of distinction in this form affects the captain of industry. Are the ceremonies and extravagances of conventional society *per se* sources of pleasure to the successful man of affairs? Or are they valued as symbols of place and power, external evidences of the attainment of a distinguished station? These are questions which the self-made rich man would himself often find it difficult to answer. Like all of us, he follows the paths of emulation and imitation marked out for him by the rest of the world. Perhaps it is not this form of distinction, but merely distinction in some form, that spurs him; a doubt which we could solve only if we could try the experiment of removing all the silly ostentation, and leaving only a ribbon, a laurel-wreath, for the man who had guided with success the wealth-making forces of society. We may infer, indeed, from some things in every day observation that it is the wives and children

and children's children of the self-made man who care chiefly for the frippery of wealth. Often he is said to be, for himself, indifferent to these baubles, even averse to them. In the infinite shades of variety in human nature, many no doubt get a real zest of enjoyment from the paraphernalia of riches, while as many more go through the motions with weary impatience. But it is probable that in all cases there is some admixture of other motives; and in many cases doubtless there is a preponderance of other motives.

Among these other motives, we may next consider the impulse for activity: the inevitable wish of the active and healthy man to be up and doing. Sports and recreation pall, when pursued not to vary the work of the world, but as occupations in themselves. A fortunate few only can find a resource in creative intellectual work. Your business man, however successful in business, has commonly no marked aptitudes in other directions, and has no other resource than to go on with business. He continues to scheme and work largely from the need of giving vent to his energies. No other occupation is so interesting and absorbing as money-making; at all events no other is so easily entered. Hence many a man who has accumulated what he once thought quite enough, continues to accumulate more, and piles riches on riches, from the mere negative motive that he must do this or nothing. And doubtless, where such is the case, the conventional extravagances of the very rich give some added flavor, from the gratification of the love of distinction in its snobbish form; even though this gratification would have been quite inadequate of itself to induce the exertion.

We must reckon as part of the same impulse, or as one closely allied, the satisfaction which comes from achievement. We need not go into psychological refinements,—there may or may not be, as has been suggested by some thinkers, an ancient and deep-rooted instinct for workmanship. Certain it is that many men, and probably



mostmen of the type we are now chiefly considering, take pleasure in rounded achievement. To one who has the capacity for management, there is a strong satisfaction in so administering a complex enterprise that every part of the mechanism does its work properly, or in carrying a long continued chain of operations successfully to the end. The pleasure is like that of the mechanic in a neat job, of the scholar in a conclusive investigation. It adds zest to the impulse for activity, and may maintain activity long after the motives by which labor was first impelled have ceased to operate.

Last among the motives to which I shall advert is the love of power. No doubt this passion, like the others which we have been considering, is not to be regarded as standing by itself. Only in extreme cases can it be observed as separately in action. Desire to command the service of others is obviously one of its sources, and the love of ease and the aversion to labor contribute to it. The love of distinction is commonly associated with it. But here again the question arises why the love of distinction should take this particular direction; which it can do only if mankind commonly admire and emulate the successful exercise of the power of subjugation.

In its brutal forms, the passion for domination is observable, alas, through almost the entire sweep of history. We may speculate that it is an outgrowth, a result by natural selection, of that warfare between contending races which Malthus illustrated so plentifully in the later and less familiar chapters of the *Essay on Population*. We can hardly doubt that the brute instinct for slaughter and destruction, which crops out so easily even in our society of peaceful industry, is an inheritance from the primal days of the race, when man shared with the rest of organic life the relentless struggle for existence. Similarly we may guess the passion for mastery to be the outcome of the same sort of struggle between the over-peopling groups and races of men. Whatever its origin, there can be no question as to its strength and persistence, or

the response which it has met from kindred feelings in the hearts of men from time immemorial. Alexander, Caesar, Napoleon, and the whole host of lesser heroes, have aroused the admiration which all the world feels for the subjugator. Most of what we know of history is one long sad tale of sanguinary aggression, of unceasing struggle by each prince and princeling for more territory and more vassals, and running through it all, the glorification of adventure, power, and conquest.

Something of the satisfaction which the captain of armies has felt, is felt also by the modern captain of industry. His is a figure as familiar to the modern world as that of the martial leader has always been, and it is hardly less admired. He too lords it over thousands and tens of thousands, and finds gratification for the passion of mastery as well as for the love of distinction. What part these two motives, so closely associated, play in the doings of the fortune-builder, he is himself hardly conscious. He strives for that which is striven for by his associates. Among these—in the hierarchy, sacred to our plutocracy, of the "big men" in the business world—we can see often no explanation of the incessant striving and scheming which does not take into account the passion for domination. The great captain of industry, with millions of money at his command, has under his sway a vast complex of men, of interwoven enterprises and industries, of towns, cities, even of states. To a degree which we are hardly aware of, but which he himself appreciates but too well, he is the power behind the throne in the political life of our boasted democracy. In the business sphere he is the acknowledged leader, before whom men bow and cringe, and of whom they speak with bated breath.

The worship of wealth and of the rich man has often been the object of satire and of blame; and similarly the motives which we have just considered,—the love of distinction in its snobbish forms, and the passion for industrial mastery,—have been roundly condemned. Yet it

deserves to be noted that the direction which these impulses take in modern times have led to great gains for the community. The industrial ideal has supplanted the military, or if not supplanted it, at least risen to equal prominence and attractiveness. The satirist and the lover of the simple life may be amazed that the sort of distinction which is given by the mere possession of wealth should be so highly prized; but the substitution of this avenue to distinction for the feudal one of birth and valor has meant an immense stimulus to material progress and peaceful accumulation. Similarly the vent which the passion for mastery has found in industrial conquest has meant an enormous gain for peace, industry, mutual service. Your feudal baron or mediæval statesman was essentially of the robber type. At best, he was a sort of watch dog, whose business it was to prevent others from plundering his charges. Our modern fortune-builder is often portrayed as the counter-type of the feudal baron; nor can it be denied that, in the ramifications of modern industry, there are great possibilities for mere rapacity. But such after all is not the main effect, certainly not the sole effect, of the money-making activities. Enterprise, invention, the development of the fruitful division of labor, the organization of new schemes, the opening of new lands and the utilization of new resources,—these have been the main conditions and accompaniments of great fortunes. We can no longer hold the semi-theological view reflected in Adam Smith's oft-quoted phrase, that the individual is "led by an invisible hand to promote an end which was no part of his intention"; but we may at least be thankful that the impulses which move the strong and ambitious are so often turned to the achievements of peace and industry.

But, if the community has thus gained from the turning of the love of distinction to the worship of wealth, and of the masterful passion to industrial conquest, it does not follow that this common gain may not be se-

cured in still greater degree. Is it conceivable that he who directs an industrial enterprise with success and thereby gains a fortune, may be induced to labor with equal zeal and efficiency in public business? Can the love of distinction and the passion for domination not be satisfied in other ways than those we are now familiar with? Can the great capacities of the captain of industry be turned directly and unquestionably to the general good, without the bribe of a fortune and of power thinly veiled and lightly trammelled?

Clear it is that the modern community needs the services of strong industrial leaders. We cannot foresee how great will be the extension of the functions of government in the next two or three generations; but that they will extend measurably, perhaps largely, there can be no doubt. Public works even in their accepted routine—schools, streets, sewers, water supply, lighting, the post,—become more complicated and call for a higher order of management. I have little faith in the theorem that the sphere of the state must of necessity broaden, and I should hesitate long before venturing on a prediction as to the extent to which its operations will be enlarged in this century. But enlargement in some degree, great or small, is certain. Most certain of all it is that some at least of the great industries of modern times would be carried on to greater advantage for the community if conducted as public enterprises under able management. Here is the essence of the problem: can able management be secured? In the past, there has been found no spur to industrial efficiency equal to that from the magic of property, with all the freedom, elasticity, power which flow from unfettered ownership. Can we find in the future, under public ownership, any stimulus comparable to this?

Reverting now to our analysis of the motives for money-making, I fear we must face the fact that the most widespread and perhaps most powerful of these motives can not be easily turned to the aid of public

management. I refer to the love of distinction in its most familiar form,—the snobbish form, if you please to call it so: the desire to rise in the social scale. No doubt, a monarchical or semi-monarchical state can use a system of orders, titles, decorations, as in some degree a substitute for salaries and wealth. But the substitute is not comparable in efficacy to the desire for wealth as a means of securing social station, and in any case it is available in only very limited range under a democracy. Hence it is probable that, as long as human nature remains such as we know it, private ownership and management of capital will conduce most to the efficient and progressive conduct of production, and that the sphere of public management, while large absolutely, will be limited in range and extent as compared with the accepted and dominant régime of private property.

Nevertheless, there is obvious play for the love of distinction in public affairs; and this not only in political affairs as commonly thought of, but in those industrial problems which are coming to be more and more interwoven with political affairs. After all, public station is a lodestone of wonderful power. Not all men of administrative capacity are open to its attractions, and not all have the aptitudes necessary for participation in public affairs. But in the class of business men who form, so to speak, the officers of the industrial army, and from whom the generals are recruited, there is a good proportion of ambitious men for whom public service has a strong attraction. They are drawn not only by the distinction and possible fame of a public career; they are drawn also by something better and higher. In enumerating and classifying economic motives, we must not forget the altruistic impulse. Whether or no it be innate, and whatever its origin, its existence and influence are patent. Like the other motives which we have considered, it is dominant only in extreme cases. As some individuals are possessed by a love of display, and others by a passion for domination, so a few are consumed by devotion to the rest of

mankind. But most men have mixed motives; they feel the itch of social ambition, they love power and control; they respond also to the call for public spirit. There is enough of public spirit and of genuine altruism to contribute effectively to the solution of our social and economic problems. When we add the gratification from public fame and a place in history, we may feel reasonably sure that, for a considerable proportion of those who have the gifts of leadership, the attractions of public service are powerful enough. Given opportunity for the exercise of these gifts of leadership, and leaders of the right stamp will not be lacking.

I say, given opportunity; for here seems to be the greatest difficulty of the case. The love of distinction can be gratified, and the sense of duty will strengthen devotion to the general good. But the case is much less hopeful as to the other motives which affect the industrial captain. The desire for continuous activity and rounded achievement, still more the passion for domination, are not easily satisfied under the conditions of public service in a democracy. Here are some aspects of our problem which deserve attentive consideration.

Let us look first at some of the peculiarities of the political machinery of our own country. Its familiar characteristic is the system of checks and balances. The fear of usurpation by the executive was the natural fruit of the experience of the seventeenth and eighteenth centuries; hence the hedging of his power, and the strict line of demarcation between the functions of the executive, the legislature, and the judiciary. This principle, suggested by the example of England and the experience of the colonies, has its most conspicuous application in the Constitution of the United States, and prevails no less in the governments of the several states and of the cities. Throughout we find the same interwoven authority, the same divided responsibility, the same checks to any steady sweep of power. The executive is sharply separated from the legislature;



statutes are framed by those who have no responsibility for their working. The authority of the executive is commonly restricted by the confirmation of appointments at the hands of the legislature, or some branch of it. It is further restricted by the popular election, in most states and cities, of a great number of subordinate officials.

The consequences are obvious and too familiar. The position of chief executive officer in city or state does not tempt the able man of affairs. The clearest illustration is to be found in our municipal troubles. In every one of our misgoverned cities there is no lack of capable and public-spirited men, able and willing to give themselves to the vigorous administration of public business. Managing ability, such as the posts demand, can be found in plenty. But the conditions of the service do not call it forth. Setting aside the difficulties of electing a man of the right type if he were willing to serve,—a matter to which I shall presently turn,—the prospect of service after election is unattractive precisely to such a man. What he sees before him is usually a complex and unwieldy political mechanism; a body of subordinate officers imposed by popular vote; a right of check and confirmation by a municipal legislature, commonly a legislature with two cumbrous branches; an uncertainty as to the statutory authority which will be conferred on him by this legislature; and, not least, a brief term of office. From all this there follows the necessity of caution and compromise, of conciliating divergent and more or less selfish interests, persuading suspicious and unintelligent persons, entrusting the execution of well-laid plans to untried and possibly insubordinate officials. Another election must be faced within a year or two, and puts a damper on the inception of far-reaching plans. Can we wonder that the impulses for achievement and for mastery find nothing attractive in the administration of public affairs? In this matter, as in all human arrangements, preferences and choices settle themselves into

grooves of habit. The established tradition in our American life is that the captain of industry has no ambition and finds no opportunity in public life. If he wishes permanent power, lasting distinction, continuous achievement, he turns to fortune-building in private industry.

The conditions of the case have indeed evolved a peculiar sort of one-man power in public affairs, and have drawn into political life a familiar type of the masterful man. Such is the party boss, who enjoys power, and a certain measure of distinction. The mechanism of government is so unwieldy that those who are within can not control it; hence there has developed the boss, who manages the apparatus from without. This can not be done without skill, shrewdness, enterprise, and other such qualities needed for any career of leadership. But it calls also for methods distasteful to straight-forward and high-minded men. Your boss is indeed not always so black as he is painted; there are political machinists entitled to our respect. But the rôle is after all an underhand one, a circumventing of the avowed plan and intent of the general will. It attracts the unscrupulous, and even the well-intentioned man who essays it finds himself almost inevitably impelled to fight the devil with fire. Not infrequently a man who has achieved success as a leader of industry turns to political activity. He then usually becomes the manipulator and master of the party machine, following almost of necessity the familiar methods of intrigue, bargain, office-mongering, bribery. The able man of the higher type is not drawn to such doings, while on the other hand the competition in the unsavory work has a demoralizing effect on those who strive for political power.

The system of checks and balances is thus a strong factor in preventing the most needed abilities from being exercised in the public service. But it is not the only factor, possibly not the most important one. The

elemental instincts of democracy are themselves obstacles to the best working of democracy.

The jealousy of the executive is something more than a survival from the outlived exigencies of earlier centuries. It has its roots deep in the everyday prepossessions of the average man. Those who have read the voluminous history of trade-unionism in England which Mr. and Mrs. Webb have put together with such splendid industry, will have been struck with the lesson which those authors draw as to the working of pure democracy. The trade union is loth to put authority into the hands of its leaders. It clings to town-meeting government. The necessities of the case have indeed compelled a gradual stiffening of the organization. More and more power has been delegated to the executive committees and general secretaries, and perpetual referendum has been given up. The imperative need of efficiency in a fighting organization has caused a departure from the pure simplicity of democratic principle, and an acceptance of something like single-handed leadership; yet even here, under the pressure of vital interest and the most obvious need, slowly, grudgingly, incompletely. The working of the same impulse is familiar to every one who watches our American democracy. There is always an uneasy fear of "getting away from the people." Hence the predominance of elected officials, the confusing multiplicity of elections, the helplessness of the voter in face of an endless list of unknown candidates for office,—and so the necessity of party organization to give a clue and meaning to the whole, and the natural evolution of the boss. In times of stress and peril, democracy turns instinctively to a dictator. But in the humdrum days of peace, it clings no less instinctively to its own possession of power.

This state of mind, like all our impulses and opinions, rests largely on tradition. The habitual glorification of democracy has strengthened it, and it has been further strengthened by the worship of the Constitution.

Checks and balances are part of the wonted political machinery. A permanent executive with a free hand is repugnant alike to the individual's instinct for control over his representative, and to his prepossessions as to the proper system of government. The two causes interact, and reinforce each other; and both tend to keep out of the public service the type of man whom the public most needs.

Contrast for a moment the ultra-democratic situation, inhibiting as it does continuous leadership and achievement, with its most extreme opposite. There are no more interesting episodes in history, and in some respects none more encouraging, than the careers of the British colonial administrators. The peculiar conditions have bred a peculiar set of men. Here are power, responsibility, prolonged tenure, difficult problems; on the other hand, plastic subject races, habituated for ages to autocratic government. The work of such men as Lord Lawrence, in the Punjab, or in our day Lord Cromer in Egypt, deservedly wins our admiration. Here the impulse for mastery has had full scope, and has been directed to beneficent channels. The ambition of every active-spirited civil servant is fired by the possibilities of great achievement, when once he shall have reached the post of leadership. Even in the lower stages he is from the outset habituated to a position of command. The admirable traditions which have been fostered during the past century by the curiously mixed government of Great Britain,—half a democracy, half an oligarchy of gentlemen,—served to turn this autocratic power to the achievements of peace. Hence the unique interest of the careers of the great colonial administrators. Their dictatorship gives them the dramatic position of world-conquerors, yet their labors are directed to the single-minded promotion of the happiness and prosperity of the subject millions.

Instructive in a somewhat similar way is the experience of Germany, and especially of Prussia. Notwith-

standing a framework of democratic apparatus, the government of Prussia has remained essentially bureaucratic. The official class is beset by no doubt as to its power or tenure, no serious checks in its pursuance of a settled policy. The aristocratic associations of the service, the traditions of vigorous activity maintained by the Hohenzollerns, the free gratification of the love of distinction by titles and decorations, have drawn into its ranks a large measure of the best ability of the country. Your German bureaucrat is not always an agreeable person. But he is usually hardworking and assiduous, his advancement depends on his efficiency, and his work gives an opening to the man of power and resource. Hence the governmental machine in Germany shows results comparable to those of the great leaders of private industry in English-speaking countries.

To take a striking example, what more remarkable achievement has there been in modern times than the German system of workmen's insurance? No doubt we may make reservations even in admitting its success. Some of the most cherished objects,—the placation of social unrest and the checkmating of the socialists,—have failed of attainment. It is a question still what gains have been secured in the fundamental task of uplifting the character of the people; whether the whole system is not after all but a magnified poor-law, with the inevitable limitations of every such mechanical scheme. But nevertheless it stands as a wonderful administrative achievement. The systematic organization and control of numberless groups of insuring and insured; the interweaving of central control with local administration; the regulation of complex financial problems and the accumulation and investment of millions of capital funds; the development of a whole new department of legal practice and adjudication; the extension of the principle to new fields, and its amendments and improvement in the light of actual experience; not least, the combination of a strong spirit of charity for the poor

with an equally strong spirit of holding them strictly to account,—all this, I believe, no other government in the world could have accomplished. The new and untried operations have given scope for the best ambition of trained and capable leaders, and such leaders have been supplied by the bureaucracy, with its traditions of permanent tenure, continuous policy, honorable distinction.

Something of the same sort may be said of the state railway system of Prussia. I do not propose to discuss the difficult pros and cons as to that great case of public management. It suffices to say that the management of finances and of traffic has been conducted with a single eye to what was believed to be the public interest,—no doubt with some mistakes, but none the less with high ability. The railway net has been systematically and steadily enlarged; speculative building and plundering have ceased, and all favors to individual shippers, all semi-corrupt machinations, have been abolished; not least, the discipline of the enormous staff of workmen has been strict, yet not unkindly. Even though there may not have been that degree of efficiency in traffic operation which has been attained by the ablest American railway managers, there remain achievements which compel admiration. Certainly we in the United States must envy the system of officialdom which has succeeded in attaining results such as now seem hopelessly beyond the reach of our political machinery.

I do not mention these cases of success in administration for the purpose of holding them up for imitation in our own country. Even in a survey of other than our current American problems, their lessons are to be read with caution. Democratic conditions are those that primarily concern us; not only us, but the civilized world at large. For democracy will prevail more and more in the future of all advanced countries. Such a career as that of the British colonial administrator is unthinkable in a self-governing community; and for this reason, I may remark in passing, the hopes of those who look to a



healthy reaction on our own problems from our experiments in colonial government, are likely to be disappointed. Nor is the lesson of German officialdom in every respect convincing. It shows what can be done, not by educating a democracy, but by disregarding it. In Germany itself, it rests on conditions that we may expect to see readjusted in course of time. The steady growth of the social democracy bears impressive testimony that the tide of democratic sentiment which shows itself in all the civilized countries, is rising in Germany also. Will not that country also be confronted, sooner or later, with the special problems which popular rule has universally brought? It would be idle to speculate at what distant time and by what processes this transformation may come, or what results it will bring. It suffices for our present purpose to bear in mind that the peculiar historical basis of the German bureaucratic system can never be reproduced in other countries, least of all in a democracy like our own. Lessons may be learned from it, but the thing itself can not be copied.

Let us turn then in conclusion to the special problems of democracy. These are two-fold: problems of intelligence, and problems of character.

First, as to the problems of intelligence. I have already indicated the point on which I believe them chiefly to converge. The best hope for improving the machinery of government lies in lengthening the terms of service for the administrative officers; in reducing the number of elected officials, and enlarging the appointing power; in simplifying the machinery of municipal and state government, perhaps of the national government as well. All this involves an abrogation of power by the voter. He must consent to keep hands off,—if not forever, at least for long periods at a time. Only by some such change will it be possible to enlist and hold in public service men of the needed capacity.

There is abundant evidence that our political system is improving in this direction. We are busily reshaping

our methods of municipal government. A succession of new charters for our cities bears witness to the consciousness of existing defects. The trend in all these experiments is the same. The chief administrators, and especially the mayors, have longer terms, and greater power and responsibility. More officers are appointed by them, less are elected by popular vote. The municipal legislature is restricted to the business of legislation, and the administration of affairs is taken away from its cumbrous and irresponsible committees. Even where the general system is not modified, or is modified only half-way, parts of the machinery are adjusted on the same principle. When a particular thing is to be done,—the building of a rapid-transit roadbed or tunnel, the development of a park-system, the construction of water-works,—the task is often put into the hands of a Commission, with a long term and unhampered powers. It is familiar experience that men of administrative capacity can be more easily secured for such Commissions than for the routine posts in state or municipal service. The explanation is clear: there is opportunity for uninterrupted activity and successful achievement. The more such opportunities we have in political life, the more shall we attract men of power to public service.

It need hardly be said that it is neither possible nor desirable to secure in public service so complete a concentration of power and responsibility as is common in our large industrial enterprises. I have pointed out defects in the system of checks and balances, but I would not be supposed to advocate an unending succession of dictatorships. We have had too much of dictatorship in corporate enterprises, and not enough of checks and balances. Certainly in public affairs it is a question not of whether or no, but of more or less. Some limitation of the powers of the executive we must have, if democracy is to be more than a form. Hence, the instinct for mastery can never find satisfaction so fully in a democracy

as it can—to refer to examples already given—in bureaucratic or colonial administration. Powers of persuasion must be exercised as well as powers of leadership, and compromise must be a frequent outcome of differing opinions. We must face the fact that private industry (so long as it continues to be conducted as private industry on a great scale) will offer some temptations to the captain of industry which public service can never equal. On the other hand, public service satisfies the love of distinction in a manner and for a degree that can be equalled by no ostentation of wealth and no sense of secret power. This lodestone will always attract men to political life; and, given some reasonable chance of prolonged tenure and substantial power, it will attract men of the needed stamp.

The change which we may hope for in the future of American government must come in the state of mind of the people as well as in constitutional and statutory enactment. Something may be done without legislation of any sort. Capable officers may be reëlected, even though the statutes provide that elections shall occur annually or biennially. Reasonably free sway may be allowed them in administration, even though aldermen or councils have the power to restrict or veto. But, as I have already had occasion to say, legislation and tradition react on each other. A change of legislation in the right direction fosters habits in the right direction. The activity which we see now in improving the framework of municipal government is itself a sign that traditions are mending. As the remodelled charters come into effect, they will in turn still further react on the voter's state of mind. Whether both combined will eventually bring about conditions under which men of the needed quality will find a congenial field in the management of public affairs is, to repeat, a question of popular intelligence.

But—and here we reach the second part of our problem—it is also in large part a question of character. Are

we sure that corruption and favoritism will be rejected when they are known? Do the voters wish for honest public service, efficient management, the use of the machinery of government not for the gain of one class or section, but for the single-minded advancement of common benefits? Will easy employment and favored treatment enlist them as the supporters of political leaders notoriously unfit? These are indeed in no small degree questions of intelligence,—whether corruption will be recognized as such, and gains for a particular class be seen to conflict with the general welfare. Mainly, however, they are questions of character. Their right disposal depends on the diffusion of the fundamental virtues. Uprightness, steadfastness in work, good faith in the affairs of everyday life, respect for law,—these are more essential for the successful working of democracy than intelligence in devising political machinery, and in choosing the right men for working the machinery.

This after all, is the *crux* of our political and social problems. Unless the stuff of the people be sound, our scheming and teaching will be vain. All the study of political science and constitutional law and comparative administration, of economics and finance and industrial organization, avails nothing unless there be a community fit to profit by it. All the elaboration of more effective governmental apparatus is useless unless the public really wishes better government. And not only must we face this fundamental problem, but we must face the peculiar difficulty of dealing with it. Intelligence can be taught, or at least greatly improved. But character grows by slow steps, and under influences which it is almost impossible to reshape. It is affected, no doubt, by teaching and exhortation, but it rests in the main on inherited qualities and on the example and training which go from parent to child. How large a part is played by inheritance, how large by training and environment, we are much in the dark; but we must resign ourselves to the certainty that external influences, whether of preachers or school-

masters or learned scholars, do not suffice for shaping human character.

The American people has undergone great changes in the last fifty years. No one can undertake to say what will be the outcome, after another fifty years, of the revolution in industry through which we are passing, and of our extraordinary mingling of nationalities. Yet I believe that the heart of the people is sound, and that democracy will emerge successfully from the difficulties of adjustment to the new conditions. Not without effort, not without trials, not without disappointments; least of all, by any rapid or revolutionary changes; yet in the end with success. Our political machinery is improving, and is likely still further to improve. The worship of wealth is diminishing, and the respect for public service is increasing. Men of character and capacity will win in the long run the suffrage of the people, and corruption and jobbery will be rebuked. The fundamental virtues are not lacking, and we may base upon them our devices for enlisting high-minded ability, for raising general intelligence, for bettering the working details of government. We may expect that the sphere of public enterprises will be enlarged, as the lessons necessary for the successful conduct of such enterprises are learned. We may hope for greater repression of the selfish motives and the sordid activities, for freer play to noble ambition and public spirited effort, and not only for a stronger government but for a better and purer democracy.

## THE PRESENT STATE OF THE THEORY OF DISTRIBUTION

JACOB H. HOLLANDER

The theory of distribution has been the primary endeavor of economic inquiry during the largest part of its systematic pursuit. Philosophical interest and practical affairs have alike stimulated the search. Obviously a theory of economic apportionment must figure in any analysis of social relations, and the economic problems of each generation have emphasized the need of theoretical standards.

The physiocratic concept of economic inquiry was essentially the search for a scheme of economic partition. Recent historical studies have made clear that Adam Smith "acquired the idea of the necessity of a scheme of distribution from the physiocrats, and that he tacked his own scheme (very different from theirs) on to his already existing theory of prices."<sup>1</sup>

But it was pre-eminently the practical economic controversies of the early nineteenth century that brought the theory of distribution into prominence. The currency debate was at bottom an issue between the tax-payer and the fund holder, just as the corn-law controversy hinged on the question as to whether the commercial policy of England should be shaped in the interest of the agriculturist or the manufacturer. Manifestly no wise counsel could be given the legislator until the principles which governed the shares of the respective claimants were understood. In 1817 Ricardo wrote in the preface to the first edition of his "Principles,"

<sup>1</sup> Edwin Cannan, (ed.) "Lectures on justice, police, revenue and arms, delivered in the University of Glasgow by Adam Smith," (Oxford, 1896), xxxi.



"To determine the laws which regulate this distribution, is the principal problem in political economy;" and a little later to Malthus, "the laws which determine the division of the product of industry among the classes who concur in its formation" constitute "the true laws of our science."<sup>1</sup>

The didactic quality of the later Ricardians restored a balance, and with McCulloch and the elder Mill, the theory of distribution took rank again as the co-ordinate but not exclusive endeavor of economic inquiry. Influenced by the socialistic assault upon the competitive system and the alternate schemes of distribution which the socialists pressed, John Stuart Mill in 1848 drew a distinction between "the laws and conditions of the production of wealth, [which] partake of the character of physical truths," and the distribution of wealth which is "a matter of human institution, solely."<sup>2</sup> But the distinction affected the political economist as publicist rather than as scientist. It meant much to the legislator whether the existing distributive system was an expression of natural law or of artificial convention. But to the investigator its data demanded interpretation in any event.

By the early sixties the theory of distribution had attained a fairly definitive and compact form. The principles of the wage-fund in industry, diminishing returns in agriculture, and abstinence in capital formation had been developed into respective "laws", and if these lacked the harmony or unity of a true synthesis, they at least afforded epigrammatic dicta and convenient

<sup>1</sup>James Bonar (ed.), "Letters of David Ricardo to Thomas Robert Malthus, 1810-1823" (Oxford, 1887), p. 175.

<sup>2</sup>"Principles of political economy, with some of their applications to social philosophy" (London, 1848), Book II, chap. I, § 1.

rules of thumb of highest effectiveness, for the settlement of the practical controversies of the period.

The wage-fund formula—the key-stone of this classical theory of distribution—held sway, with at best inarticulate and unavailing dissent for the two generations following Ricardo. In the decade from 1866 to 1875 the inevitable reaction came. Longe's indictment in 1866 was followed by Cliffe-Leslie's criticism in 1868, by Thornton's attack in 1869, and by Mill's ponderous recantation in the same year. Whatever new life was given by "patched and revamped versions" thereafter, was formally extinguished by the powerful assault of our soldier economist, Francis A. Walker, in 1875-1876.<sup>1</sup>

Mill's recantation marks—it might be said was largely responsible for—the breaking of the spell which the determinism of the wage-fund had cast upon economic thought. Thenceforth, the critical contributions of Cairnes, Jevons, Toynbee, Hearn, and Walker—crystallized about a favorable nucleus. In 1878 Ingram delivered his sensational address on "The present position and prospects of political economy". In 1879 Cliffe-Leslie's "Essays in political and moral philosophy" was made accessible, and in the same year Marshall put together the substance of his Cambridge lectures in the "Economics of industry". In 1880, Arnold Toynbee complained "though the wage-fund theory has been given up by economists, it is extremely difficult to frame another theory in its place which shall explain the facts,"<sup>2</sup> but Sidgwick's criticism had already

<sup>1</sup> See two papers by the present writer, "Political economy and The labor question" in *North American Review*, April, 1903, and "The residual claimant theory of distribution" in *Quarterly Journal of Economics*, February, 1903.

<sup>2</sup> "Wages and natural law" in "Lectures on the industrial revolution" (London, 1884), p. 159.



stimulated a brilliant American economist to develop his theory of wages into a "complete and consistent body of doctrine respecting the distribution of wealth," and first in his "Political economy" in 1883, and repeatedly thereafter, Walker presented the differential theory of profit and the residual theory of wages.<sup>1</sup>

The boldness and the originality of Walker's generalizations would have provoked criticism at any time. But coming as they did at a juncture when a coincidence of economic students and economic issues had effected a renaissance in economic study in the United States, when "the extreme *Historismus*" of the German school had stirred up reaction in favor of critical speculation in Austria, in England, and in America, and when the single-tax agitation, the new importance of the entrepreneur, and the extension of corporate organization to industry had directed urgent attention to the practical problems of distribution—the result was a period of intense controversial activity to which the early volumes of the *Quarterly Journal of Economics* and the first sessions of the American Economic Association bear impressive testimony. Before the fire had even begun to smolder, the flames were again stirred into furious activity by the presentation in English dress, through Bonar's exposition and Smart's translation, of the more important views of the newer Austrian economists. At the same time, Clark presented in rounded form a theory of imputation of productivity, outlined nearly a decade before, and in 1890 Marshall fulfilled the promise of his earlier studies by a clear and attractive synthesis.

Since 1890 criticism and speculation have been de-

<sup>1</sup>Cf. "The residual claimant theory of distribution" in *Quarterly Journal of Economics*, February, 1903.

voted in increasing amount and intentness to the theory of distribution as so presented. The present participants in the fray include no mean proportion of contemporary economists. To mention only those of England and the United States,—Clark, Giddings, Patten, Wood, Commons, Macfarlane, Carver, Smart, Hobson, Fisher, Cannan, and Johnson have made specific contributions, while Bullock, Hadley, Davenport, Fetter, Seager, Flux, and Seligman have inserted more or less independent theories of distribution in the text book exposition of economic principles.

It is not an inspiring contrast to turn from this record of sustained activity to either its net result or its contemporary phase. It appears that for nearly a century the theory of distribution has been the centre of economic inquiry. And yet no doctrine nor series of doctrines has been formulated that by the most optimistic stretch could be termed an interpretation of modern industrial distribution. The very phrase "the present state of the theory of distribution" is misleading to the extent that it intimates any unanimity or agreement. The reviewer turns in depression from his task persuaded—to paraphrase Renan's epigram—that theories of distribution are as vain as religions and philosophies even though the theory of distribution is as real as philosophy or religion.

The history of science—and pre-eminently of economic science—warns that a period of unanimity is not necessarily one of achievement. The famous surgeon, Baron Boyer, declared over a hundred years ago, when anaesthesia was undiscovered and infection of wounds was not understood and could not be prevented, that surgery had then reached almost, if not actually, the highest

degree of perfection of which it was capable.<sup>1</sup> Similarly, McCulloch wrote in 1824, "the errors with which political economy was formerly infected have now nearly dissappeared",<sup>2</sup> and John Stuart Mill's classic dictum in 1848 of the then perfection of the theory of value needs no re-statement before this body.<sup>3</sup> Conversely, a stage of doctrinal unrest is not necessarily one of stagnation. The daze and uncertainty to which recent discoveries have reduced modern physico-chemical study will certainly not hereafter be accounted an unprofitable episode, and no period of classical political economy was so fruitful as the decade from 1815 to 1825 when active economic thinkers of the day—Malthus, Ricardo, James Mill, McCulloch, Torrens, and Senior—were arrayed in doctrinal antagonism, and when Sydney Smith is said to have joined the Political Economy Club to learn about the mysterious theory of value, only to resign promptly thereafter because the membership knew no more of it than himself.

It is not so much, therefore, the lack of identical conclusion as the absence of recognized criteria of scientific progress that casts discredit upon the theory of distribution as now current. If recourse be had to the readiest empirical measure—public estimate—we are left in no manner of doubt that the theory of distribution as tested by the practicability of its application, is gravely deficient. For example, at the present moment there are three great economic problems disturbing the con-

<sup>1</sup> Dr. William S. Halsted, "The training of the surgeon," in *Johns Hopkins University Bulletin*, vol. xv, no. 162 (September, 1904).

<sup>2</sup> "A discourse on the rise, progress, peculiar objects, and importance of political economy." (Edinburgh, 1824), p. 9.

<sup>3</sup> "Principles of political economy." (London, 1848), Bk. III, ch. 1, § 1.

sciousness of the American people: trade unionism, the growth of corporations, and socialism. It should be as natural and proper for the public mind to turn to the scientific economist for specific and definite guidance with regard thereto as for the cotton planter to hearken to the zoologist in planning a campaign against the boll-weevil, or for a municipal administration to turn to the pathologist for council in guarding against epidemic typhoid. Each of the three problems can be simplified, if not solved, by the determination of an underlying principle of distribution. The *crux* of trade unionism is the recognition of a natural law of wages, and, no less important, a practicable method of ascertaining it. The corporation problem will speedily enter upon a new phase if the character of entrepreneurs' gains be understood. The public will know how to deal with socialism when the functions of capital and the law of interest are grasped. In each of these directions, the economist might properly be expected to meet, indeed to anticipate the public's appeal for counsel; and in each of these directions, the economist within the ken of the ordinary man of affairs is mute.

But, more fundamentally, the theory of distribution as now current is in an unpromising condition. In 1885 Sidgwick replying to Ingram's challenge declined to recognize sociology as an established science because it failed to satisfy the two simple tests formulated by Auguste Comte of the real establishment of a science:—1st, Consensus or continuity; and 2d, prevision. "When we find", Sidgwick stated in Comte's own words, "that recent works instead of being the result and development of what has gone before, have a character as personal as that of their authors, and bring the most fundamental ideas into question—

then we may be sure we are not dealing with any doctrines deserving the name of positive sciences."<sup>1</sup>

It would be difficult to phrase a more accurate characterization of the present state of the theory of distribution. The most recent works on the subject have certainly a character as personal as that of their authors, and no self-respecting writer on distribution in the past decade has failed to bring the most fundamental ideas upon the subject into question.

If the validity of Comte's criteria be accepted, it is impossible to escape the logic of his syllogism or to resist the conclusion that the theory of distribution in its present phase is not and gives little promise of becoming, a positive scientific doctrine. Certainly adequate occasion seems to exist here for a close examination of the state and tendency of the doctrine.

At the very outset of such a review a fundamental query presents itself. Is the palpable deficiency in the theory of distribution one of result or of method? Is the economist on the right track in his search for a principle, but compelled to move slowly and cautiously because the country is broken and the obstacles are myriad? Or has he utterly lost his trail, and is now floundering around aimlessly after a mere will-o'-the-wisp, with the certainty that sooner or later he will have to retrace his foot-steps and start anew? In other words, of the several methods appropriate, singly or in combination, to economic inquiry, is the modern economist using, in the search for a theory of distribution, that one or that combination best suited to its scientific determination? If he is, then let us take new heart of grace, make firmer resolve and assail the problem with renewed

<sup>1</sup>"The scope and method of economic science," reprinted in "Miscellaneous essays and addresses." (London, 1904), p. 193.

energy. If he is not, let us recognize the error and seek to right the misdirection of effort.

It requires the barest glance to realize a startling contrast in method between the search for a theory of distribution and the pursuit of any ordinary principle of positive science. Let us turn for a moment to chemistry, where within recent years the bounds of organized knowledge have been extended with the most brilliant results. In so far as the layman may speak, it appears that modern chemical—or for that matter, physical or biological—study involves three consecutive stages: (1) observation and experiment, (2) theorization, (3) verification. Associated with these essential activities are the contemporary processes of initial conjecture affording a tentative working plan; formation of trial hypotheses in consequence of investigation and for submission to experiment; and conversion of theory by test into law. But in the main chemical science advances from truth to truth, from probability to certainty, because a body of mature workers, equipped with intimate knowledge of the achieved, are busy marshalling and classifying facts, searching for and formulating uniformities, testing hypotheses, and demonstrating laws.

If we turn now to the scene of economic study and to the theory of economic distribution, the contrast is fairly startling. We find a body of capable and devoted workers, and a definite and inviting subject-matter. But here, to any appreciable degree, the parallelism stops. There is no collecting and classifying data in their qualitative aspects, no tentative selection of economic uniformities, no verification of hypotheses by reference and comparison. As against the chemical investigator in his laboratory, deliberately and systematically gathering a particular group of facts, and formal-



ly submitting the sequences which they suggest to comparison and to test, with a reasonably well established hypothesis as the ultimate endeavor, we have a corps of student apprentices busy upon historical and institutional monographs; a group of younger scientists absorbed in academic duties and text book writing, and a body of sages engrossed in doctrinal dialectics. A single category has rarely been used to include two things less identical than the term "scientific" in reference to these two activities. If the one be, the other is not. It is a difference in kind, not in degree, of which the contrasted terms "deductive" and "inductive", "experimental" and "*a priori*" suggest the consequence, not the cause.

I have in the foregoing selected chemistry for contrast. But the choice is not necessarily limited to the natural or physical sciences. Psychology, ethics, politics, indeed any of the recognized fields of systematic study—except the purely speculative sciences, metaphysics and mathematics—pursue its scientific goal in approximately the manner indicated.

Accordingly, the proposition which I venture to maintain is that modern studies of economic distribution have neglected the method appropriate to positive science and have become, in large part, barren, unscientific, quasi-metaphysical speculations, standing in little better than what might be termed atmospheric relation to the concrete facts which they undertake to interpret; and consequently, that if the economist's search for a law of distribution is not to be merely an intellectual exercise in subtle dialectics, but a fruitful endeavor to ascertain the uniformities which obtain in economic distribution—his mode of inquiry must be a more deliberate study of his



subject-matter, approximating in so far the method of positive, instead of speculative science.

Such a contention does not resolve itself into an advocacy of induction, as against deduction, as the method which the economist should use in his search for a law of distribution. The old antithesis has largely passed away. Induction, as Professor Mackenzie has stated, "is the method by which the premises of the deductive method are secured, and by which its results are verified",<sup>1</sup> and Bagehot has pointed out, as Professor Keynes reminds us, that we can only proceed to a successful analysis of complex economic facts, by "a synthesis based on a previous examination of the nature and action of elementary forces, through whose operation the complex facts are produced."<sup>2</sup>

My contention is rather that the student of distribution has failed to make any conscious use at all of true induction. In so far as his method has purported to be inductive, it has been historical and comparative rather than analytical. In so far as it has been deductive, it has neither derived its premises nor verified its conclusions.

There are, I take it, three conceivable methods of investigation which the economist may employ in his search for a theory of distribution—using any one of the three exclusively or associating them in various proportions. For purposes of convenience I shall denominate these: 1. the historical; 2. the metaphysical; 3. the analytical. It is very possible that these phrases are inexact and that more precise nomenclature is desirable.

<sup>1</sup> "Inductive method" in Palgrave (ed.), "Dictionary of political economy," vol. II, p. 392.

<sup>2</sup> Keynes, "The scope and method of political economy" (London, 1891), pp. 197-198.

able; but it is with the several concepts rather than with the corresponding terms that my prime concern lies.

1. The historical method of determining the law of economic distribution is the modern phase of that momentous reaction against theoretical universalism and perpetualism in the social sciences which we trace back to Savigny, and associate more directly with Roscher, Hildebrand, and Knies. As a scientific procedure, it is perhaps better described as the "monographic method". Its devotees insist that every stage and every form of economic organization have had a corresponding theory of distribution, and that until these innumerable types have been depicted in detail and interpreted in outline, no attempt at a general law of distribution should be made.

The method is not an ungrateful one. "The mind," says Professor Sidgwick, "wearied of the vain effort to ascertain what is true, settles down more and more to the task of what has been held."<sup>1</sup> Yet whatever hope may have been entertained as to the positive utility of the historical method in constructing a body of economic doctrine was—it is now seen—born of reaction. Monographs have multiplied; doctoral dissertations have accumulated, and the progress of the historical economist towards an admitted theory of distribution has been imperceptible. The experience of two score years seems to suggest that the prime usefulness of such minute studies is educational and local, and that variety of approach, distinctness of treatment, change of environment are grave qualifications, under existing conditions, of the value, and certainly of the economy, of large reliance upon this intensive method of inquiry.

<sup>1</sup> "Philosophy, its scope and relations" (London, 1902), p. 166.

2. The metaphysical method as applied to the theory of distribution is the orthodox *a priori* or deductive method brought down to date. It is not the classical form of speculation represented, for example, by geometry or pure philosophy, wherein starting from a limited number of fundamental propositions, either self-evident truisms or established principles derived from other domains of thought, the student passes step by step to particular applications by a pure and rigid logic. It is not quite the qualified deduction wherein the fundamental generalities are derived by a tentative, half unconscious induction from a loose and informal array of facts, and where the conclusions are from time to time referred to actual phenomena for favorable confirmation or for graphic illustration. It is rather a combination of criticism, speculation, and emanation. Its starting point is either the classical theory of distribution or the utilitarian calculus of pleasure and pain; its procedure is a dialectical criticism of abstract principles, and its equipment is an acute and refined rationalism, relieved by that plausible intimacy with the facts of modern industry which comes of common sense and professional sympathy.

A concrete example of this method is the ordinary procedure of the modern economic theorist. He will have been suckled on Ricardianism, weaned on John Stuart Mill, and fed on Fawcett or Sidgwick. Comte or Spencer or Roscher may have stirred him to methodological revolt, but there has been no positive contribution. Suddenly comes a doctrinal explosion superinduced from without,—Jevons and marginal utility, Walker and residual claimant, Böhm-Bawerk and esoteric interest, Clark and imputed productivity. Forthwith, our economist becomes dialectician whose further scientific

activity is a mean between closet speculation and metaphysical hypercriticism, bearing to the concrete facts of economic organization that tenuous and impalpable relation which a garment in autumn holds to the camphorated atmosphere in which it has rusticated.

The output of the method is enormous. Under provocation of a somewhat similar literature, Mr. James Bryce has said: "The difficulty which forbids many among us to give more study to these books is the shortness of life. Much talent sometimes of a high order, has gone to the making of them. But they are, and not solely the German ones, terribly hard reading."<sup>1</sup>

Far be it to speak with a cheap and frivolous levity of what represents, in great part, an earnest and devoted effort to extend the bounds of human knowledge. But whether estimated by tangible result, by internal quality, or by analogy with other fields of systematic inquiry—such effort cannot be regarded as other than disproportionate or misdirected.

3. There remains to be considered the analytical method as the proper scientific instrument for the determination of the law of distribution. This method assumes that economic distribution, unlike the subject-matter of mathematics or metaphysics, is made up of facts of experience, and that the theory of distribution belongs not with the mental disciplines but with the doctrines of positive science. To be more specific, it defines the theory of distribution as the principle or body of principles, in accordance with which the product of industry is apportioned among the rightful claimants thereto. It asserts that the details of economic distribution are capable of observation, arrangement, and classi-

<sup>1</sup> "The methods of legal science" in "Studies in history and jurisprudence" (New York, 1901), p. 623.

fication; that when so organized, they reveal certain uniformities, that these uniformities may be formulated as hypotheses, and that these hypotheses or theories may be demonstrated as laws. In other words, that given the actual subject-matter of employment and remuneration, income and revenue—an interpretation is possible.

This is no new-fangled device. When we examine with some minuteness the history of the theory of distribution, it is palpable that the most important elements therein were consciously or unconsciously inductions from an immediate environment. The physiocratic net product and sterility of labor were economic interpretations of contemporary France. Adam Smith knew his industrial and commercial Britain as well as his philosophical heritage. Malthus, West, Torrens, and Ricardo took the law of diminishing returns from the parliamentary blue-books of 1813-15 on the condition of English agriculture and the effects of the corn-laws. Longe assailed the wage-fund theory after official duty on the Children's Employment Commission had brought him in contact with large employers of labor, and it was surely Walker's intimate acquaintance with the concrete facts of American industrial organization growing out of his service as director of the ninth and tenth federal censuses that led him to differentiate the entrepreneur from the capitalist as an economic functionary. Not until our own generation may it be said that new forces operated. John Stuart Mill's philosophical justification of deduction as the exclusive method of economic inquiry; the one-sided revolt of the historical movement from economic speculation to institutional rather than analytical inquiry; the reaction in turn from the barrenness of historical studies to constructive speculation, and finally the tremendous in-

crease in the extent and complexity of industrial phenomena—all these have encouraged the substitution of speculation for analysis, and in so doing have given a mischievous bent to economic inquiry as applied to the theory of distribution.

The detailed use of analysis as a scientific method is a commonplace to every student of positive science. In an admirable essay on the progress of science in the Victorian era, Mr. Huxley has summarized this procedure with respect to study of natural phenomena, but the exposition is applicable with slight modifications to the domain of psychology, ethics, politics, and economics. "The development of every branch of physical knowledge presents three stages, which, in their logical relation, are successive. The first is the determination of the sensible character and order of the phenomena. This is *natural history*, in the original sense of the term, and here nothing but observation and experiment avail us. The second is the determination of the constant relations of the phenomena thus defined, and their expression in rules or laws. The third is the explication of these particular laws by deduction from the most general laws of matter and motion. . . Historically, no branch of science has followed this order of growth; but, from the dawn of exact knowledge to the present day, observation, experiment, and speculation have gone hand in hand."<sup>1</sup>

The analytical investigator must suffer a similar experience in his search for a theory of distribution. He must collect his facts, he must formulate his theories, and he must correlate the theories of distribution so at-

<sup>1</sup>"The progress of science, 1837-1887," in "Methods and results: essays" (New York, 1898), pp. 64-65.



tained with his general economic system or social philosophy.

Of the three phases, it is easy to see wherein lies the present need. Speculative theorization we have had galore, and ambitious systematization hardly less. The primary requisite of the analytical method at this particular juncture is systematic observation, a natural economic history—not an economic history as commonly understood, a record of past economic life and growth; but more properly, an economic survey or description, a transcription of contemporary economic happenings in so far as they are the subject-matter of the doctrine under investigation.

Perhaps no period in the history of our science has been so relatively uninformed as to the essential aspects of its economic environment as our own. I do not ignore the activity of modern economic inquiry, nor the range and extent of modern statistical enumeration. But as far as statistics are concerned, we have been given quantitative aggregates and not qualitative details. With respect to the results of modern economic inquiry, the deficiencies are even more glaring. Physical conditions in the United States invited, and the German historical movement justified, economic microscopies. In consequence, although pursued with unexampled activity, economic investigation in the United States has been almost exclusively historical or institutional, on the one hand, and local and intensive on the other. Of extensive economic investigation, economic description in the proper sense of the term, little has been attempted and less achieved. The historical evolution of economic institutions as revealed in more or less accessible records, the functional activity of economic organization as displayed in limited areas—these have defined



the scientific activity of the ordinary economist. Of the comprehensive study of the structure and function of any actual part of the present economic organization, we have had infrequent example. It is not difficult to lay a finger on the causes of this neglect. Mr. Huxley has said "observation and experiment are hard work, while speculation is amusing."<sup>1</sup> It is much easier to spin cobwebs about the theory of distribution in the closet, than to describe the present, the actual facts of distribution in the field. I do not mean to neglect the effect of Mill's, Senior's, and Cairnes' methodological teaching—summed up best perhaps in Senior's dictum that political economy "depends more on reasoning than on observation."<sup>2</sup> I recognize that the vast area, the extensive activities, and the scattered data subject to economic inquiry, on the one hand, and the inadequate equipment of the economic investigator, both as to resources and opportunities, on the other hand—have imposed a heavy handicap upon comprehensive economic description. But withal the student of distribution has pursued the speculative course largely because it represents the line of least resistance. Brought face to face with large subject-matter, we have shown the white feather and solaced our souls in the futile thought that extensive description might properly be postponed until such a number of detailed monographs, dealing with specific aspects of the subject, have been completed as will permit full exposition and safe generalization.

I have in mind no rigid Baconian method; no prosecution of scientific inquiry as a manner of formalized book-keeping, where in Jevons' phrases—"facts were

<sup>1</sup>*Loc. cit.*, p. 66.

<sup>2</sup>*Cf.* Keynes, "The scope and method of political economy" (London, 1891), pp. 16-17.

to be indiscriminately gathered from every source, and posted in a kind of ledger, from which would emerge in turn a clean balance of truth.<sup>1</sup>" I do not exalt any one formal method as a scientific nostrum, neglecting the fact that many paths lead to the central truth and that the investigator is certain to select that course and that equipment best suited to his needs and capacity. I note merely the absence of the necessary material of the student of distribution, which if proceeding along deductive lines he requires for his initial synthesis and for his ultimate verifications; or if along inductive lines, for his essential subject-matter,—that large accurately described, well digested body of facts, absolutely indispensable, whether after the teaching of Bacon to make theories from, or in the light of the history of scientific discovery to try ready-made theories by.

I propose, therefore, an arrest of further text-book didacticism, an abandonment of hypercritical dialectics, and a reduction to a minor rôle of metaphysical speculation as the dominant apparatus serviceable in the search for the law of economic distribution. Measurably in lieu thereof, and largely in connection therewith, I venture to suggest a detailed and systematic acquaintance with the actual contemporary subject-matter of economic distribution, as the preparation and equipment for its scientific interpretation.

Ideally, this would involve an economic description of the United States in the year of grace 1906 in which every phase of contemporary industrialism in so far as affects economic distribution, would be faithfully and systematically transcribed. Trade unionism, methods of industrial remuneration, entrepreneurs' gains, in-

<sup>1</sup> Bagehot, "The postulates of English political economy" in "Works." (Hartford, 1891), vol. V, p. 250.

dustrial combinations, corporate organizations, business risks and failures, interest rates, banking institutions and commercial discounts, land tenures, urban rents—all these would be depicted, not in their historical development or local manifestation, but in their contemporary phase and in their widest extension. I pass by the intrinsic interest of such a photograph of contemporary economic life, and view it merely as scientific data. The economist of the past generation could omit a systematic round up of subject-matter, because the facts of distribution were incomparably simpler. It was possible for a keen observant mind to grasp without deliberate canvass the essentials of its economic environment. Adam Smith knew his Glasgow to the core, and Glasgow was the economic world in microcosm. Even McCulloch, the economist, was McCulloch, the author of the "Commercial dictionary". But the economic life of today in its range and complexity has utterly passed beyond the mental compass of the casual onlooker—be he economist or man of affairs, and unless the equipment is to be inadequate and the perspective distorted, there must be deliberate collection and report.

I am not insensible of recent tendencies in the direction indicated; nor of the particular studies of contemporary economic life that loom up here and there in solitary isolation in the output of the American economist in the past generation. But surely the general proposition remains unaffected. Our subject-matter has outrun our systematic knowledge of it, and largely in consequence of deliberate neglect, we are relatively uninformed as to the essential data which we are seeking to interpret.

As to a practical proposal! Is the student of distribution to postpone his thinking until the facts have been

gathered—to throw away his crucible and to take to a shovel? Certainly not. That was the fault and the failure of the historical school. Here again Mr. Huxley is guide and prophet: "Whenever science has halted or strayed from the right path, it has been, either because its votaries have been content with mere unverified or unverifiable speculation—; or it has been, because the accumulation of details of observation has for a time excluded speculation."<sup>1</sup> If we have wandered too far to the right, correction does surely not involve excessive divergence to the left. The true course lies in that union of observation and speculation which the progress of every science vindicates. That union which we economists have blandly proclaimed, and certainly in the study of economic distribution have coolly neglected.

In accordance with this view, the theory of distribution will be sought, not necessarily from the facts, but through the facts. It would, for example, have the theory of wages studied not exclusively by doctrinal criticism nor *a priori* speculation, but by investigation of existing wage relations. A theory of entrepreneurs' profits should be based upon a no less intimate knowledge of contemporary business management than distinguished Francis A. Walker's analysis a generation ago. The student of capital and interest might properly turn from the irrepressible Böhm and search for a clue in the practice and technique of the money market. Urban rents and agricultural conditions no less than social marginal disutility are certainly the substance of a rent theory.

In short it seems not unreasonable that the author of a general theory of distribution should have as a basic equipment an intimate knowledge of the nature and technique of the practice of distribution. I have else-

<sup>1</sup> "The progress of science," *loc. cit.*, p. 65.

where sought to make clear the three essentials for such procedure.<sup>1</sup> First, the economic investigator must be able to command, in addition to ordinary library apparatus, all primary documentary material relevant to his inquiry, whether it is as ephemeral as municipal reports and trade-union journals, or as unobtainable by formal request as trade agreements and corporation records. Second, the investigator's time and energy, if not entirely available for scientific inquiry, must certainly not be unduly absorbed by the routine engagements of the student or the teacher. Third, with respect to resources, the investigator must be in command of funds sufficient to enable him to visit and upon certain occasions temporarily to reside in representative localities for the purpose of gathering additional evidence and of testing and verifying tentative conclusions. "Investigation funds" must be regarded as essential to scientific activity in political economy as laboratory apparatus is to chemistry and clinical provision to medicine.

It by no means follows that such an acquaintance with facts will inspire a theory, any more than it is mathematically certain that a theory will emerge in no other way than by study of facts. Perhaps the divine spark that in all times has flashed to light dark places will come when least awaited—even when least deserved. The history of science teaches that the prize is not always to the investigator who toils the hardest nor the longest. But it will never descend—and surely never re-descend—upon him who gropes blindly or uninformed.

<sup>1</sup>"The political economist and the public," in *North American Review*, February, 1905.

## THE PRESENT STATE OF THE THEORY OF DISTRIBUTION—DISCUSSION

JOHN BATES CLARK: It is a pleasure to know that Dr. Hollander thinks it worth while to make so vigorous a protest against an excess of theoretical study. With some of us the question that appears to be most pressing is whether, in view of the overwhelming drift toward practical investigation, such study can survive. It is also a pleasure to know that Dr. Hollander wishes for new facts in order that, in the end, we may have theories.

I must demur at two points. I find, first, no such startling contrast between the method of the physicist and that of the economist. In both cases there are the observation of common facts, the tentative formulating of principles, and the ultimate verification of the principles by an extensive collection of facts. I am, secondly, not ready to accept Dr. Hollander's estimate of the value of what theoretical study has recently accomplished. It seems not little but so great as to be a principal cause of the active discussion of methods. When a miner has nearly "worked out his claim," method becomes of increased importance, since with a meagre supply of ore poor processes would bring operations to a stop. A more fruitful policy on the miner's part is to take up a new claim. We have worked out in a large degree, the static field. We have solved such problems as those of the natural standard of value, that of wages, and that of interest. The rich dynamic field is before us, and we must formulate principles governing changes in these standards, and deviations of actual rates from

them. Vast and critical problems of progress, of obstruction, and of conditions of future well-being are pressing for solution and in solving them we shall proceed as we have done in the static division of our field, though we shall find ourselves working veins of far greater richness. We shall observe familiar facts—and there is enough of them for our immediate purpose. We shall tentatively formulate principles and shall later verify them as our knowledge increases. We shall not neglect the principles and blindly pile up statistical figures in an unmanageable mass. Such a collection of facts might come to have a value which would grow smaller as the mass grew larger, and end by becoming so vast and unassorted as to have little value to the practical man, and almost none to the scientist.

ROSWELL C. MCCREA: To begin with, I am going to make the assumption that Dr. Hollander, in the major portion of his criticism, had in mind the marginal productivity theory of distribution. I am very much at one with him in the general implication of his paper that if the validity of the view of the marginal productivity of theorists is really to be tested, it must be done, not by quibbling over details of analysis or over minor shiftings of view-point, but by an examination of the propriety of their logical method, or the truthfulness and completeness of their premises, and of the practical significance of their conclusions. So far as I cannot agree with him, it is largely from the fact that whereas his criticisms are given with an air of certitude, my own are purely tentative, and that I am inclined to put the emphasis on points to which he has given slighter weight. And I must confess at the start that, leaving out of account variations of treatment of



the marginal productivity theory, which it seems to me are due mainly to differences in the circuitousness of the routes by which different writers have ultimately reached the same goal, I cannot find any vital flaw in the main course of the reasoning of the marginal productivity theorists.

As regards method, I am not able to make the sharp distinction between the "metaphysical" and the "analytical" that Dr. Hollander makes. Logically considered, the so-called "analytical" method, it seems to me, is in no wise different *as a method* from the "metaphysical" method so-called, unless it be that with the former more frequent recourse is to be made to verification of steps in the argument by reference to facts that are usually to be found with the latter. The suggestive feature of the term "metaphysical" lies not in what it connotes with regard to method *per se*, but in what it implies with reference to the character of premises. Whatever name we give to the method of productivity theorists, it is like what I cannot help regarding as the significant branch of Dr. Hollander's analytical method, deductive, and as elaborated, particularly in Dr. Clark's case, is apparently the result of an analogy between economics and mechanics. As in mechanics the first task is that of separating those forces which are fundamental from those that are frictional, so in economics influences that are permanent and universal must be distinguished from those that are merely disturbing. At times the parallel seems to be the perhaps truer one of a composition of forces; but since in such case the forces considered are equally fundamental, this figure hardly fits the requirements, and so is probably not the intended one, and I cannot see that there is anything necessarily objectionable in borrowing the method of

another science. In the present instance the possible danger lies, not in the method itself, but in the extreme nature of basal abstractions, and in the too infrequent testing of preliminary conclusions by reference to actual phenomena (the latter perhaps involving a defect of method that may be called "metaphysical"). Dr. Clark makes his abstractions once for all at the start, with the result of forming a picture of economic life in a state of dynamic equilibrium, his so-called "static" state; whereas others, less heroically inclined, make their abstractions as they need them, the net effect being much the same in either case. But in a social science like economics, where causes are so much more numerous and complex than in physics, the danger is that of turning the necessary liberty of making abstractions into the license to make mere assumptions, with the result of establishing as points of departure in theory, not truths stripped of the irrelevant, but fundamentals that are essentially untrue to real life. To say the least, much of recent theorizing has run perilously near the danger line. To assume, rigidly to adhere to the assumption, that "the primitive law which puts a man face to face with nature and makes him dependent upon what he personally can make her yield is still . . . the law of the most complex economy,"<sup>1</sup> and to assume among other things absolute freedom of competition and the entire fluidity of capital and labor, is, strictly speaking, something more than mere isolating of phenomena. It is pure hypothesis. Actual production is not carried on by the use of an abstract homogeneous fund, nor are shares of income drawn from an abstract homogeneous flow; and the typical wage receiver

<sup>1</sup> Clark: *The distribution of wealth*, p. 37.

is not actually paid out of the present product of his labor. The whole point of view is admittedly imaginary and hypothetical.

But granting the truth of this charge, the resulting body of theory is not thereby necessarily discredited. Hypotheses, subsequently proved untenable, have been of great value in the forming of other sciences; why not in economics? Here, as elsewhere, the real tests must come in the attempt to bring resulting conclusions into real touch with the actual facts of business life, and in the closely related attempt to throw light on questions of public policy. For in the last analysis, a body of theory must be judged not only by its truthfulness to existing phenomena, but by the applicability of its conclusions and the character of its consequences in the field of practice. The first of these tasks has thus far been attempted only on a small scale, but in such a way as at least to reveal outlines. And perhaps the most available as well as the most serviceable of these essays is to be found in Dr. Seager's "Introduction to economics." Here the main conclusions involved in the marginal productivity theory are accepted with but brief attention to preliminary analysis; but what is actual in the productive and distributive process is outlined at some length with great skill and acuteness of observation. And yet, in the work of articulating the hypothetical with the actual, the main result has been not so much to prove the fundamental character of static conclusions as to emphasise the divergence between those hypothetical standards and the actualities of economic life. And the same is more or less true of the other expositions of the productivity theory.

The application of the theory to questions of public policy, aside from contradicting the pretensions of

socialistic theory, has proceeded mainly along the line of idealizing static standards. For instance, from the static truth that the wages of a laborer are what can be specifically imputed to him as his product is projected the ethical standard that the wages of labor *ought* to be the value equivalent of the product of labor. But the realization of this, as of related ideals, is dependent upon the existence of competition, and freedom of competition is seen to be no longer possible under a policy of *laissez faire*. Logically, therefore, it becomes the duty of the state to guarantee fair and substantially free competition by the exercise of its regulative function: a rather commonplace end to so long and tortuous a journey, and a conclusion the expediency of which must of course be judged on much broader grounds than those suggested in a theoretical study on distribution.

On the whole, my own position is one of doubt. The acuteness of the reasoning of the exponents of the marginal productivity theory, and the definiteness of their conclusions cannot but make a strong appeal to one who wishes to find some way out of the maze of theoretical discussion. But at the same time, in view of the purely hypothetical character of the fundamental notions and of the extreme refinement of analysis, where corresponding refinements of process are foreign to business life; and out of respect for the notion that economics if anything is a practical science, one cannot avoid the impression either that the theory is somewhere at fault or that one is devoid of scientific imagination. Discarding the latter alternative, it would almost seem as if relevancy to the supposed needs of theory had outweighed considerations of the necessity of relevancy of theory to economic life and practice.

FRANK A. FETTER: The opening paper is commendable in its positive aspect, its emphasis of the importance of collecting and classifying more fully and exactly, the facts of the business world; but is unfortunate in its implication that no worthy work of this kind is being done, and in its belittling of other essential methods of economic study. It dismisses much too abruptly the important services of the historical method. Although as the unique method of investigation in economics that method has yielded somewhat meagre results in the form of generalizations, its service as an auxiliary has been great. It has changed the spirit and broadened the outlook of economic philosophy. It has enabled economics to share somewhat in the rich fruits of the evolutionary doctrine. It has given us the genetic conception of economic problems, making impossible the naïve outlook of a half century ago.

Dr. Hollander's rejection of the theory of distribution "as now current," (by which he doubtless means the theory of Mill as amended by Marshall) comes as a pleasant surprise to those who have for years thought as he now does. Two years ago he believed that there was no "real occasion for radical departure from the traditional treatment" of the theory of distribution, and that "our scientific fathers builded wiser than modern critics are inclined to admit" (*Publications A.E.A.* 3d Series V, p. 207, 209). His recent change of view is however confined to negation, and he has not as yet had either the time or the inclination to inquire what positive contributions have been made to the subject of recent years. In the first bitterness of disillusionment he councils us to throw away all theories of distribution and, lacking principles, to await hopefully the day when a method, which he admits has

achieved nothing by itself as yet, has supplied our urgent need. Some theory of distribution we must have; it is like the atmosphere which surrounds and pervades all economic inquiry. It is vain for Dr. Hollander thus to decree an intellectual vacuum in the realm of economic theory; he must permit us to have something to fill it.

Some of those who of late have been guilty of "text-book didacticism" had been compelled, like Professor Hollander, to reject the old theory of distribution, but they did not feel driven either to agnosticism or to pessimism. They hesitated to adopt the plan he contemplates,—the abandonment for the present of all systematic teaching, or even thinking, on general economics. Rather they felt that it is for the teacher in each epoch to make an honest attempt to formulate and summarize for his pupils the ascertained truths of his subject and to express these truths so far as possible in terms theoretically consistent and practically applicable. The insistent demand of the public and of the body of students for a periodical restatement of economic thought is proper and healthy, and it is the duty of economists to meet it. For the past twenty years economic text-book writing in America has been lagging far behind the general progress of economic studies.

Dr. Hollander's chief condemnation is visited upon the so-called "metaphysical method," which until of late he loved not wisely but too well. As applied to recent studies, the term metaphysical, or even deductive, is, however, a misnomer. Here the theory of distribution is for the first time conceived of as the problem of value "writ large," and economics as essentially man's thought about things as they affect his welfare and become the objects of his estimation. The aim is



to understand man's thought in the process of evaluating goods, and all means leading to this end are used. Dialectical criticism plays only a preliminary and destructive part; it makes clear when, where, and why fallacious ideas were introduced into economic thought. Is it not scientific ingratitude to reveal one's indebtedness to this reasoning, and in the next breath to stigmatize it as hypercritical? In recent study, moreover, anthropology and history are used to see how men have thought of wealth in primitive conditions and how their conceptions have grown with industrial changes. To a slight degree, introspection,—much more, observation, travel, experience, personal contact with men, statistics, description, knowledge of the market,—aid in interpreting and guide in constructing realistic concepts and a realistic theory of value. The method might perhaps be called primarily psychological, though that describes rather the thing studied than the method. The method is more properly called *synthetic*, and seeks to include with other resources all that is workable in what Dr. Hollander now proposes.

Progress in society or in science is not often furthered by the sudden rejection of all the attainments of the past. Those who will may trace historical continuity in the growth of economic thought, and may see as the writer of the paper does not, that the theory of distribution is today clearer, more consistent, and more serviceable than ever before.

T. N. CARVER: I should agree with Dr. Hollander as to the desirability of a more extended use of the analytical method of political economy, but I should disagree with him entirely in the assumption that any other method has ever been followed by any of the leading economic theorists. What he calls the *a priori* or deductive method is



really the analytical method which he advocates. I think, therefore, that if he had applied the analytical method to the study of the subject in hand, he would not have said what he did about the abstruse and metaphysical quality of the economic theorists of the past. And, moreover, the men whom he has commended as having broken away from the metaphysical and adopted the analytical method are men who have done the opposite. If Walker, for example, had used a very moderate amount of analysis in his discussion of the wage fund theory, he would not have said what he did. That is to say, if he had made a distinction between the source from which wages come and the factors which determine the rate of wages,—this is a simple piece of analysis,—he would never have said that wages are paid out of the future product, though he would probably have said that wages are determined by the present or the future product. The difficulty has not been that economic theorists have failed to use the analytical method, but that they have not applied it rigidly enough. This is a comfortable doctrine for all young economists, for it simply means that there is something left for them to do.

The difference between economics and the physical sciences is not that economists have employed a different method of reasoning, but that they are dealing with materials which do not admit of the same exactness of manipulation. Last night when starting for this meeting I fell in with a philologist on his way to a meeting of the Philological Association, who had with him a machine for the demonstration of a theory of Greek scansion. By means of this mechanical device he hoped to be able to absolutely demonstrate the position which he had been defending. It does not

seem possible to invent any mechanical device which will demonstrate any economic theory, however sound it may be. Such a theory must depend for its acceptance upon a reasonable attitude of mind on the part of economists and the intelligent public. As Lincoln once said in one of his debates with Douglass, it is impossible to work up an argument into the consistency of a corn-cob, which can be shoved down an opponent's throat. In the physical sciences, with their laboratory methods and their instruments of precision, certain things can be demonstrated or thrust down the throats of unwilling believers. Perhaps this is the reason why in the physical sciences a man who comes forward with a new theory, which he claims to be not only a new discovery but to be revolutionary and destructive of all existing scientific theories, fails to get a hearing; whereas in economics we frequently hear not only of the discoverers of new theories or new principles, but we hear the discoverer proclaiming that all preëxisting theories are dead, that we must sweep them all away and start over again, building on the foundation of the newly discovered theory. Such a man could not make much of an impression in the field of physical science, where, by means of mechanical appliances and instruments of precision, certain facts are made demonstrable. In medicine, for example, a man who comes forward with a new discovery, which he proclaims as the destruction of all existing medical theories, is known as a quack.

What we need, therefore, is not a revolution in economic methods, but rather a following out of existing methods—for the existing method in economic theory is the analytical method—and a more general willingness to recognize that there may be certain fundamental

principles in the classical political economy which may very easily be improved upon by new discoveries or new analyses, and at the same time that these new discoveries or new analyses may be quite consistent with the fundamentals of the classical political economy. We shall thus avoid two extremes, both of which are about equally destructive of all science: first, the idea that political economy was completed by Adam Smith, Malthus, and Ricardo, and that all new discoveries or analysis are therefore wrong; and second, the opposite idea that because certain new things are discovered we must therefore sweep away everything that has been done by the economists of the past and start over again, building a new science of political economy.

HENRY R. SEAGER: As one of the recent offenders in the field of text-book writing, I wish to express dissent from Mr. Hollander's view that it is time to call a halt upon this branch of activity. Far from agreeing with him on this point, I am inclined to urge the opposite opinion, that the time is very opportune for every economist, who feels in the least drawn towards text-book writing, to try his hand at the experiment. Writing a text-book is not a life work. At most it means the partial absorption of one's time for a period of three or four years. I believe there is no better way in which an economist can sound the depth of his own knowledge—and ignorance—and lay the basis for later original work than through such an exercise.

Even more important, it seems to me, is another aspect of the question. There is after all no surer way in which most of us can contribute to the advancement of economics than through our students. Every improvement in our apparatus for imparting to them what we

already know is certain to render signal service in advancing economic analysis. Thus, unless Mr. Hollander is prepared to maintain that our present supply of text-books is satisfactory—and the whole tone of his paper contradicts this view—it seems to me that this part of his argument is inconclusive.

Time will not permit more than the briefest reference to other portions of his interesting, if somewhat pessimistic, review of the present situation. While all must agree that present day economists, like their predecessors, are far too little in touch with the actual facts of the industrial world, I must dissent very strongly from the opinion that we are worse off today in this regard than our predecessors. On the contrary, I believe that there has been no time in the development of economics when we have been so conversant with the facts which we are trying to explain.

VICTOR ROSEWATER: In the general scramble to pick flaws in some of the incidental features of Dr. Hollander's very suggestive paper, this discussion, it seems to me, has overlooked one of the main points made by him and one to which every teacher of political economy would be expected to assent. Dr. Hollander's paper is really a plea for greater attention to research work on the part of political economists and an appeal for more funds to be placed at the disposal of the working economists for the prosecution of such studies. Dr. Hollander would be the last to say that the teaching of political economy should be dropped, or that the writing of text-books should be entirely abandoned until after a new body of doctrine is developed upon which all agree; but he has very properly emphasized the need of getting out of the class room occasionally and getting in touch with the actual practical op-

eration of economic forces in the every-day world. A great deal is already being accomplished in this direction, but much more is to be done. While the perfection of economic theory is not to be achieved by any single method, greater familiarity with actual conditions of industrial, commercial, and social activity will surely help on and hasten the search for economic truth and the formulation of economic laws.

DAVID KINLEY: It is a matter of much surprise that one who is so sound a theorist as our friend, Dr. Hollander, could have made so severe an arraignment of the usefulness of theoretical writing in economics. Certainly, his own sound practice as an administrator justifies us in believing that his own theories are sound. We can only suppose, as has been remarked before, that he has become enervated by the climate of San Domingo.

There are two points which have already been brought out—one by Dr. Patton, and one by Dr. Clark—which I wish to emphasize. The first is, that Dr. Hollander's paper is not, as we expected it to be, a criticism of the defects of existing theory, but an attack on theoretical reasoning as such. He seems to throw doubt upon not only the validity but the value of theoretical economics. Now, I want to emphasize the fact that we cannot have sound practice without sound theory. It is all very well for so-called practical men to say, "Go out into the world and get together the facts, instead of staying in your class room and studying and theorizing about them." The truth is that such a near view and such a method of gathering data, together with the complexity of the observations, are more likely to lead us astray than even the method of *a priori* reasoning on assumed hypotheses. True, we

must have our facts, but we cannot always get them in the street or in the shop; surely not in particular streets or in particular shops. A theory is only the generalized statement of correct practice. If our observations of the facts are correct and our logic is good, the theories must be correct. Now, the difficulty has been that our data are imperfect, and too multiplex for easy and complete analysis. We need more facts as a basis of theorizing, but they must be carefully selected facts; facts which show something and are not a mere accumulation of data. We need more theory and not less economic practice, and administration will grow better the more perfect our theories.

The second point, which, as I say, was brought out by Dr. Clark, is that our theorizing thus far has been in the way of clearing the ground. We have been dealing with static conditions. The result is that we have not, perhaps, yet come to conclusions which are applicable with any high degree of success to existing problems; but it is no just ground for criticism that we have not yet discovered a law of wages, for example, which will explain wages in a particular industry or shop. That result, it is to be hoped, will come when we have corrected the theories derived from observations of static conditions so that they will accord with the circumstances of dynamic society.

As a matter of fact, however, it is hardly true that we have not made progress, and very considerable progress, in the theorizing of the past ten years. We have, at any rate, introduced a thread of unity in our explanation of the laws of rent, wages, profit, and interest. The application of the ideas of marginal utility and marginal productivity have done much towards enabling us to reduce several of these laws to a common principle.

## GOVERNMENT REGULATION OF RAILWAY RATES

HUGO R. MEYER

The railway rates of this country consist of a heterogeneous mass of rates that upon superficial examination appear to be arbitrary, inconsistent, and grossly discriminating. But upon examination they prove to be not arbitrary but compelled, that is, fixed by competition between the railways and the waterways, the competition of rival railways, and, most frequently, by the competition between rival producing centers and distributing points. Inconsistent they remain, if tested by any single and exclusive standard, for competition and the resulting necessity of compromise produce one result under one set of conditions, and another result under another set of conditions. But, examined more carefully, they cease to appear grossly discriminating, and prove to be honestly and intelligently discriminating. Moreover, they prove to be marvelously well adapted to the needs of our country,—if the test of such adaptation be the success with which the producers and the traders, working under those railway rates, succeed in making two blades of grass to grow where one had been growing; succeed in eliminating distance, and in binding into a compact trading unit, as well as a political unit, our enormous territory with its widely different resources of soil and climate, as well as of labor and capital.

For eighteen years we have had in force the act to regulate commerce, which forbids not all discrimination, but only undue and unjust discrimination. Under that statute the federal courts have sustained every great



American railway rate practice brought before them for adjudication; and the characteristic feature of those practices is discrimination, intelligent and honest, made for the purpose of meeting the needs of trade and industry! More than that, very rarely indeed have the federal courts condemned even the specific rates which had been made under the rate practices in question. There have been taken to the federal courts forty-five cases in which the railways have failed to obey the order of the Interstate Commerce Commission to desist from charging the rate which the Commission had held to be unlawful. Thirty-five of those cases have been decided, and in thirty-two of these the federal courts have held that the order of the Commission had been unlawful, because based upon an erroneous construction of the law or upon an erroneous weighing of the evidence.

The federal courts have construed the act to regulate commerce, and have weighed the evidence in cases brought before them under that act, in accordance with the assumption that "commerce, in its largest sense, must be deemed to be one of the most important subjects of legislation; and an intention to promote and facilitate it, and not to hamper or destroy it, is naturally to be attributed to Congress. The very terms of the statute, that charges must be 'reasonable,' that discrimination must not be 'unjust' and that preference or advantage to any particular person, firm, corporation or locality must not be 'undue' or 'unreasonable,' necessarily imply that strict uniformity is not to be enforced, but that all circumstances and conditions which reasonable men would regard as affecting the welfare of the carrying companies, and of the producers, shippers and consumers, should be considered by a tribunal appointed to

carry into effect and enforce the provisions of the act." (162 U.S. 218). "The mere circumstance that there is, in a given case, a preference or an advantage, does not of itself show that such preference or advantage, is undue or unreasonable within the meaning of the act." (Id., 220). When tested and weighed by that statesmanlike principle, our heterogeneous mass of railway rates turns out to contain astonishingly few unjust or unreasonable rates. That is the meaning of the fact that our federal courts have reversed the Interstate Commerce Commission in thirty-two of the thirty-five cases in which the federal courts have passed upon the lawfulness of the orders in which the Interstate Commerce Commission had condemned existing railway rates. (From its creation in 1887, until October 1904, the Interstate Commerce Commission rendered 297 formal decisions. Action favorable to the complainants was taken in 194 cases. In about 80 per cent. of the latter cases the carriers complied wholly or in part with the Commission's decision. Forty-three suits have been instituted to enforce the orders of the Commission; thirty-five thereof have been finally adjusted.)

Diametrically opposed to the statesmanlike spirit in which the federal courts have construed the act to regulate commerce, and have weighed the evidence in suits brought under that act, have been the principles by which the Interstate Commerce Commission has sought to construe that act and weigh the evidence. These principles, one and all, have meant: not the promotion of trade, but the restraint and the partial destruction of trade and of competition. The Commission has said: "To give each community the *rightful* benefits of location; to keep *different* commodities on an *equal* footing; so that each shall circulate *freely* and in

*natural* volume, and to prescribe schedule rates which shall be reasonable and just to both shipper and carrier, is a task of vast magnitude and importance. In the performance of that task lies the great and permanent work of public regulation." (Annual report for 1893, p. 100). To carry out that task the Commission at its pleasure has read into the act to regulate commerce political and economic theories, none of which the Congress had made a part of the established law of the land, and at least one of which is in direct conflict with the intentions of the framers of our federal constitution. Of one of the orders made by the Commission under the influence of those theories, the Supreme Court has said: . . . "The general orders made by the Commission, instead of being regulations calculated to promote and enforce the express provisions of the act, are themselves laws of wide import, destroying some branches of commerce that have long existed, and undertaking to change the laws and customs of transportation in the promotion of what is supposed to be public policy." (162 U.S., 234). This statement of the Supreme Court that the Commission's orders had been "laws of wide import, destroying some branches of commerce that have long existed," brings home to us the tremendous significance of the fact that the prescribing of a railway rate is a legislative function. That the body endowed with the power to fix a railway rate to be substituted for the rate that has been found unlawful, is, in fact, a deputy Congress, free to make and unmake the public policy as well as the law of the land. The fact that such a deputy Congress is called an Interstate Commerce Commission, and that it passes for an administrative body, does not abate one tittle its power.

One of the most serious attempts at legislation made

by the Commission has been the attempt to break down the so called basing point system. That system was alleged to violate the doctrine of the right to the rightful benefits of location. In the course of this attempt at legislation the Commission repeatedly has denied that right to freedom to trade over the entire area of the United States that it was the chief purpose of the framers of the constitution to establish. For example, the Commission denied the right of the trans-Mississippi railways to coöperate with the Pacific coast sugar refiner for the purpose of enabling the latter to sell sugar to the Missouri River valley, territory which the Commission asserted belonged to the Atlantic seaboard sugar refiner.

In connection with the Commission's attempt to break down the basing point system, it is instructive to note that the Commission nowhere has given us a reasoned discussion of the merits or demerits of that system. It has contented itself with assuming that the basing point system centralized trade, industry and population. But in *Holdzkorn v. Railroad Co.* it was obliged to admit that it decentralized trade, industry and population, and benefited the consumer by promoting competition.

Another important attempt at legislation made by the Commission has been the effort to protect farmers, wholesale merchants, manufacturers, and real estate operators from those impairments of values and changes in the course of trade as well as in the location of industries that are an unavoidable incident to progress. In the course of this attempt at legislation the Commission has denied the right of the railways to coöperate with the distant producers for the purpose of relieving those distant producers of the disabilities under which

they had labored before the days of the modern steam railway. It also has sought to establish customs barriers between the several states of the union, denying once more the right to freedom to trade established by the framers of the constitution.

Still other attempts at legislation are found in the Commission's efforts to regulate the commerce with foreign nations. In one case the Commission undertook to regulate the terms upon which the American miller and the European miller should compete in Europe. This particular legislative policy of the Commission could be carried out only at the expense of the American farmer, that is, at the cost of reducing the farm price of wheat. In other words, the Commission undertook to protect the American milling industry at the expense of the farming industry. In another case the Commission undertook to supplement and re-enforce the customs duties established by the Congress. It ordered the railways to desist from carrying commodities imported on through bills of lading at lower rates than those at which they carried similar commodities of domestic origin. Of this attempt at legislation, the Supreme Court said that competent evidence had been adduced before the Commission that if the legislative policy were carried out, it would close every steamship line sailing to and from Baltimore and Philadelphia.

All of the foregoing attempts at legislation rest upon the doctrine that railway rates must be based upon respective costs of service, that they may not be made upon "commercial considerations," *i. e.*, in obedience to the competition of the markets. This doctrine shortly would lead to the making of rates on the distance basis,

and would revolutionize the interstate as well as the foreign commerce of the United States.

Restraint of competition and trade, and disregard of the rights of several of the parties to each controversy over railway rates, has been the characteristic feature of every decision in which the Commission has condemned a great American railway rate practice, and it is an illuminating fact, that in the only instance in which the Commission justified a great American railway rate practice—the Atlantic seaboard differentials—it had to throw to the winds the principles by means of which it had sought to justify the attempts at legislation which have just been enumerated. For once the Commission proceeded on the theory that trade and commerce must be promoted, not throttled. It abandoned completely the doctrine of the right to the rightful benefits of location, as well as the doctrine that railway rates must be based on respective costs of service. It confessed that it did not know what the rightful benefits of location were, and that rates based on respective costs of service, or on the distance basis, would be destructive of trade and competition. It admitted that it could do no better than leave the matter where the competition of the railways and the markets had left it—having assured itself that the compromise made under the stress of that competition had been honest and intelligent. In short, in the Atlantic seaboard differentials case the Interstate Commerce Commission proceeded on the assumption that trade is to be promoted, not destroyed; and it consequently arrived at the conclusion that public regulation can do no more than guarantee that the compromises embodied in railway rates shall be honest and intelligent.

Had the Interstate Commerce Commission proceeded

in all cases upon the statesmanlike principles upon which it proceeded in the case just reviewed, it would have issued few of the orders in condemnation of rates which it has in fact issued. The Commission would have sought to regulate the working of the basing point system, not to eradicate the system. It would not have undertaken to protect farmers, merchants, manufacturers and real estate operators from those changes in values and in the course of trade that are but the common vicissitudes of life. It would not have undertaken to promote the fortunes of the American miller at the expense of the American farmer; nor would it have undertaken to supplement the customs barriers erected by Congress. Nor, finally, would the Commission now be asking for power to substitute a rate for the one that it shall find upon examination, to be unlawful. The power to legislate, to make and unmake the public policy of our land, is not necessary if one desires merely the power to correct a rate that has been found to be unreasonable upon the weighing of all the facts by a mind free from such peculiar political and economic theories as the Commission in the past has espoused. The difficulties that the Commission has encountered in the past have been solely of its own creation. They have been due solely to its efforts to read into the act to regulate commerce political and economic theories which the Congress had not made the established law of the land, though it had repeatedly been requested so to do.



## GOVERNMENT REGULATION OF RAILWAY RATES

BALTHASAR HENRY MEYER

The present practical importance of the question of government regulation of railway rates in the United States suggests that this paper assume somewhat the character of an argument.

The first paper on transportation subjects which I ever submitted for publication contained a somewhat detailed comparison between railways and ordinary business enterprises. One of the editors informed me that the comparison was really unnecessary, because the readers of this magazine generally understood that a railway was quite different in its nature from a soap factory; and that the formation of railway rates differed from the formation of prices for ordinary commodities. Consequently, I eliminated nearly the whole of the comparison. That was nearly ten years ago. For members of the American Economic Association such a comparison is not necessary today, and I shall not make it; but I do wish to say that in current discussions it is frequently asserted that railway enterprise is like every other business enterprise, and that no more legislation is needed for a railway than for a soap factory. This paper assumes that the railway differs in many of its most vital aspects from other commercial enterprises, and that upon these differences, well understood by nearly every member of this Association, but not by many outside of the association, rests the necessity of more far-reaching restrictive legislation.

The right of the state to regulate the public use of private property has stood unchallenged for more than

a quarter of a century. Differences of opinion arise in the attempt to specify the exact extent of the public use and the consequent degree of public control to be exercised over such use. Since the establishment of the right of the state—using this term generically—to control railways, the struggle has been one over the limits of this control. New conditions require new laws. The conditions of today demand an effective control of all railway rates. In addition to traffic conditions known to exist, this demand is supported by the deep-seated and fundamental truth that rational beings are unwilling to vest the power which controls their individual and collective well-being in the unrestricted hands of even the most benevolent of men without, in turn, reserving in their own hands an instrument by which the conscious or unconscious misuse of that power can be checked and avoided. The question is whether or not the railway rate, which is indisputably the greatest single factor in shaping the prosperity of our land, shall be controlled, in the last analysis, exclusively by one party, or whether both the great parties in interest shall be entitled, under express provisions of the law, to coöperate in controlling this factor. In discussing the problems of the regulation of railway rates in the form in which these are now before the American people, it has frequently been assumed, for partisan purposes, and depending upon the point of view of the person making the assumption, that one side or the other is composed chiefly of incompetent, dishonest, and designing men, while ability, integrity, and good faith are found entirely on the other side. In this paper, equal good faith, the same motives, and equal ability will be assumed for both railway officials and railway commissions. I fully realize that the bur-

den of conducting the business of transportation is not slight ; that the conditions with which a railway has to deal are diverse and complicated ; that no one man can hope to contribute more than humble help ; and that, therefore, railway officials and railway commissions alike should feel the duty resting upon them of making the best contribution they can toward a correct result. Hundreds of rates are made every day ; tens of thousands are in effect upon every large system. Does it not appeal to good judgment and reason that differences among interested parties which are bound to arise in these multifarious relations should be referred to an impartial tribunal with power to act, when such power is duly safe-guarded ? We are told that no such tribunal is needed, for the reason that railway rates are beyond the power of control by traffic men ; that railway rate-makers are generally passive and merely "register" the commercial forces which are continually being reflected into their brains ; that commercial conditions and the competition of markets determine rates ; that, in short, the railway rate is merely the focus of a convex lens transmitting all the commercial, industrial, and social forces of the territory to which the rate applies.

That railway rates are in many cases the result of nicely balanced commercial conditions is demonstrable. That they are in other cases violating commercial conditions is equally demonstrable. The appeal to commercial conditions is sometimes a fact and sometimes fiction. When there is doubt as to which one of these shall be appealed to, tradition lends assistance, and a guess decides in what proportion fact, fiction, and tradition shall be combined in the rate. An examination of certain rate schedules forces one to conclude either that the commercial forces which the schedules are said

to have "registered" are in a state of anarchy or that the mind which "registered" the schedules is pathological. There is, perhaps, no state in the union in which there are not hundreds of misfits in the rate. Sometimes such misfits are due to inadvertence and blundering; sometimes to the dictates of the rate-maker; sometimes to the dictates of powerful shippers; sometimes to a poor compromise between competitive producing or consuming sections; but whatever the cause, they exist; and the mere fact of their existence is sufficient ground for the demand to give a commission power to fix rates within limitations prescribed by law. Many of the adjustments in matters of rates and service which would require the attention of commissions of this type are relatively minor affairs in the business of a railway company; and yet to the individual or community affected thereby, they are often a matter of success or failure. Whether questions of rates and service are minor or major, a competent commission can gather relevant facts, call the interested parties together, bring about a better mutual understanding; and this generally means a satisfactory adjustment. To give a commission power over the rate and service does not necessarily mean the frequent or continual exercise of such power. In fact, the possession of power may be the safest guarantee against the necessity for the constant exercise of it. Representatives of the railways and representatives of other interests are likely to approach a commission in a very different attitude of mind if they know that the commission possesses vital power. The very existence of a competent commission is in itself a restraint on wrong-doing. A commission which can recommend everything but do nothing must acquiesce in glib phrases about the inexorable laws of

commercial forces, the beneficence of free competition, the registrations of the passive traffic man, and the like. Give a commission power to go to the books of a railway company and elsewhere to get all the facts in existence, and power to act in accordance with the evidence before it, and it will generally not be necessary to exercise much additional power, for the reason that railway officials are too shrewd not to follow suggestions when the facts are against them. A diligent and competent commission can be of real service in revising rates and classifications in accordance with the necessities of each case. Railways and commissions can and must coöperate; and by coöperating year after year, objectionable features can be eliminated or reduced, and a better understanding and feeling between the railways and the public established and maintained.

Very recently a prominent western railway official has been advocating legislation to protect railways against rate wars. He made, however, no suggestion as to the necessity of instituting competent tribunals to protect the public against the railways or the railways against the public. All three of these—the protection of railways against one another, against the public, and the public against the railways—should be provided for under the law. The utterances of this western railway official were probably prompted by the so-called “new era of competition” which has been heralded of late, and in which he foresees old dangers in new forms. No doubt there is severe competition for the field in certain western territory just now, as the many plans for railway construction demonstrate. In a limited sense, every railway competes with every other railway. The competition for business is unquestionably severe within well-known limits. The competition of markets con-

tinues as long as competitive markets are served by competing carriers, and as much longer as the good grace of the rate-maker permits it; but competition as a regulator of rates and a protector against unreasonable or unjust rates has proven itself a failure in every country in which railway systems have been developed. Whatever influence the survivals of competition in the rate, the struggle for business, and the competition of territories may exert upon existing rates, it is certain that all of these together do not prevent occasional unreasonable rates and other misfits. The passive character of the traffic man in making rates has been exaggerated and reminds one of the sudden meeting of strange dogs. Whether or not the first dog will lie down with upturned legs, crouch on his haunches, or stand up in the full dignity of his stature depends entirely upon the size of the dog who approaches him! Besieged and importuned from early till late, how much time has the average traffic man to devote to a careful study of his schedules and to the fine adjustments of the fifty or one hundred thousand rates on his system? How many shippers who feel the lack of proper adjustments in rates can afford to urge their claims in expensive proceedings? How many are afraid to say what they think for fear of punishment? I assume that cases like these are the exception, but they require attention nevertheless; and nothing but a competent commission can meet the situation.

It is argued that if a commission is given power to prescribe a rate, either on complaint or on its own initiative, the result will be a general remodelling of all rates in accordance with theoretical or political considerations controlling the commission. It is assumed that a commission cannot weigh with sufficient accuracy

the conflicting commercial interests, and that if it could, the influence of opposing interests would cause a deadlock and prevent all action. Generally speaking, this position assumes ignorance, dependence, and lack of energy on the part of commissions. A competent commission ought to be capable of realizing the importance of commercial conditions in general, and of those commercial conditions which are artificially created by the railway rate in particular. It should not be overlooked that the railway rate is the greatest creator of these very commercial conditions which the rate is said to express; and the traffic men who are said to "register" commercial forces may simply be accelerating the movement of the forces which they themselves initiated. The conflict of sectional interests is a reality. The impotence of the commission in the face of sectional interests is largely a myth. Antagonistic interests exist with or without commissions. Without commissions sectional interests are settled, in the last analysis, by private railway officials in accordance with the interests and power of the respective roads. With a commission, the decision must necessarily be preceded by preliminary proceedings, more or less of a public nature, in which every interest, irrespective of its relative strength, is represented, and the decision rendered on the basis of all the facts brought forward in the proceedings. The famous Thurman-Cooley-Washburn arbitration decision of 1882, establishing the differentials between the North Atlantic ports, is a good illustration of what a commission can do in the way of settling questions which rivalry and jealousy, left to themselves, cannot adjust. It is true that this was merely a special advisory commission, but the present interstate commerce commission accomplished equally satisfactory



results, as announced in its decision of April 27, 1905, relating to the Atlantic seaboard differentials as they stand today. In fact, any reasonable interpretation of situations like these would seem to suggest that a railway commission is peculiarly well fitted to arbitrate and decide questions arising from antagonistic interests of rival carriers, ports, or sections; and which, if left to themselves, would result in a series of wars and treaties, with the ultimate extinction or absorption of the less capable contestants. Many members of the American Economic Association are familiar with chapters of railway history illustrating this.

With reference to the possibilities of sectional rivalries, it has been assumed that the conflict of interests will work itself out in the same manner under the proposed plan of extending the powers of the interstate commerce commission as under a system of government ownership and operation. Nothing could be more fallacious. Without admitting that dangerous and costly conflicts of this kind are an inevitable accompaniment of state ownership, it should be pointed out that irrespective of the form which such a conflict may assume, under government ownership it is possible that it may be carried into legislative bodies, and thus enter into whatever political struggles may be in progress. Under private ownership with government control, the conflicting interests appeal to the commission, which, within the limits of the law, renders a decision which ends the matter until a new case is brought. The alleged danger, under a system of enlarged powers of the Interstate Commerce Commission, of setting New York and New Orleans and other cities and territories against one another is a phantom which has been conjured into the horizon of our future in-

dustrial life by means of a refracted view of the Prussian system. Atlantic and Gulf ports and the railways which serve them have been in conflict for years past. So have other producing, consuming, and trading centers and areas. Proposed federal legislation cannot, therefore, create this sectional rivalry. It already exists; but there exists no tribunal with power over the rate to which an appeal may be taken for the establishment of a just and reasonable basis upon which to continue the rivalry in so far as the strength of the rivals depends upon the railway rate.

Again, the danger of disturbing so-called fundamental rates is largely a myth unless it is assumed that commissions with power to adjust rates are inevitably bent upon destructive work. Furthermore, the basal and fundamental rates are much more likely to rest upon adjustments of long standing than other rates, and generally are not so apt to represent misfits, causing complaints. A commission may change a thousand rates, involving adjustments of vital importance to particular interests and places, without affecting a single basal rate. The most of the changes which commissions are likely to be called upon to make are of this nature. But even the challenge of a basal rate does not necessarily bring harmful results to the house of cards of rate schedules. Until railway rates are made in a more scientific manner, and rest upon foundations which can be tangibly described and determined, it is well not to manifest too much anxiety regarding the inviolability of their present frail foundations. Reference may here be made to the impeachment of existing rate schedules by President A. B. Stickney and his belief in the possibility of making schedules methodically. "I desire to go on record as saying," says Mr. Stickney, "that in

my opinion it is entirely possible to construct a tariff mathematically. It could be done easily by adding to the terminal expenses and the special burdens of each class of shipments practically constant quantities for the cost of hauling, which would be symmetrical, equitable and satisfactory both to the people and to the railroads. Furthermore, a schedule made in this way could be printed in a form so easily understood that any man of ordinary ability, by inspection of the schedules, could tell for himself the legal rate upon any shipment he might desire to make. To the ordinary man the present tariffs and schedules are about as plain as Greek or Choctaw."<sup>1</sup> Perhaps the tariffs of the Chicago Great Western Railway will be remodelled upon this basis!

Railway commissions must accept the traditions of rate making as they find them, until by faithful work they have gained such a degree of familiarity with schedules and the traffic to which the same apply that improvements may be introduced.

The decisions of the Interstate Commerce Commission from the time of its organization to the present show no dogmatic adherence to any one principle of rate-making. The commission has approved or condemned rates in the light of the concrete conditions governing the same. In view of this indisputable fact, what warrant is there for spreading the alarm that rate-making by governmental authority is impossible upon any except the distance basis. The distance tariff is said to be the only one which a railway commission can prescribe and maintain. This allegation is as false to history as it is unjust to the good sense of the commissions. If it be assumed that all commissioners are fools and all

<sup>1</sup> *Railway Age*, September 29, 1905, p. 399.

railway rate-makers wise men, we naturally turn to the wise men. A competent commission, or any other body of men of ordinary good sense *can* be made to understand traffic conditions, except where these conditions<sup>4</sup> as they sometimes do, transcend understanding; and group rates, concentration rates, special contract rates<sup>4</sup> and all other kinds of legitimate rates are as possible under government control as without it. But it is the duty of a commission to see to it that all kinds of rates are granted impartially to all alike under similar circumstances and conditions. If the past history of railway rates in the United States could be wiped out completely and all rates made anew for our great systems of railways, it is probable that distance would be regarded more than it is today, and that the existing chaos in classifications, commodity rates, and rate-making in general would be superseded by some more rational system. This would be done, I believe, voluntarily by railway officials themselves, without suggestion from state authorities, for a great many railway officials realize altogether too well the defects of these houses of cards which rate-makers have constructed.

One feature of the controversy with reference to this phase of government rate-making is most extraordinary. It is this: The railway was created to overcome distance and to create place utilities; and now it is urged that a general regard for distance in making rates would bring ruin! In other words, compensation for the service of transportation shall be made to rest, so it is argued, chiefly upon every other consideration except that for which this service is specifically performed! No sane man would today introduce throughout the United States, if he had the power to do so, a pure distance tariff; but many sane men in the United States

fail to understand the "beneficent" effects of a system of rate-making which absolutely neglects an extra distance of a thousand or fifteen hundred miles!

Another objection which is made against giving the Interstate Commerce Commission power to fix rates is that the granting of such power will not prevent rebates and discriminations, because, it is said, it will be as possible to deviate from rates prescribed by governmental authority as by private officials; and the latter class of rebates, it is said, can be reached in the courts under present laws. This is true; but it is only a part of the truth. In order to know whether or not a published rate is violated, it is necessary to know what the published rate is. It is also necessary to know whether the published rate is nominally charged and an illegitimate refund granted in disguise under one name or another. The first requires continual checking and comparison of schedules and an examination of the rules and regulations governing classifications and rates. The second requires an investigation of the books of the companies. Nothing but the most thorough examination of certain items which are well known to persons familiar with present day railway accounting will enable the question of rebates and discriminations or no rebates and discriminations to be reliably answered. The power to fix a rate and the power to examine railway accounts should be twins in the development of railway legislation. Neither is effective without the other; but together they can remedy all the existing abuses arising out of transportation charges. The only institution known today which is well fitted to deal efficiently with the two-fold problem of the rates and the accounts of carriers is the commission.

The proposal to confer upon the Interstate Commerce

Commission power over the rate and railway accounts has been objected to on the ground that the interests of investors will be prejudiced thereby. It should be a sufficient answer to this charge that the greatest agitation which this country has ever known in favor of more effective regulation and the highest railway values ever reached have gone hand in hand; and that several recent great trans-continental projects were nursed in the atmosphere of government control. The statistical pages of certain financial journals have failed to record the fall in the value of securities which their editorial columns apparently predicted with certainty. When the influence of financial pirates on railway values has been eliminated it will be time to resort to the harmless play of investigating the losses sustained by investors through the activity of railway commissions.

Perhaps the most unique opposition to the proposed federal legislation rests upon the alleged experience of foreign countries. In this appeal to the experiences of foreign countries, England has been generally omitted; although England above all other European countries has had experiences from which the United States might derive profit. Germany has been held up as a country in which the government has paralyzed the railways and the railways have paralyzed industry. Terror-stricken, down-trodden German industry then appealed to canals. A strong movement is on foot to compel the German government to extend its partial monopoly of water-ways; hence, according to this story, we have the spectacle of a government creating a second monopoly in order that it may compete with the first monopoly; and out of this balm of competition between two monopolies has come the modern, aggres-



sive, industrial Germany! In one breath we are told that German railways have caused excessive concentration of population, and that the German distance tariff prevents long distance transportation; that the railways have paralyzed Germany and that modern industrial Germany is the marvel of the world; that the German railways are merely feeders to canals and that there has been a marvelous increase in the volume of traffic on the railways! Yet it is admitted that the German people are generally satisfied with their railways; but they would not be, it is argued, if only they knew how the railways are oppressing them! In the United States, on the other hand, people express dissatisfaction; but they would utter nothing but words of approbation if only they understood the beneficence of the railway practices to which they now object! Suppose a German student were to argue, if such a one could be found, that the construction of the Panama Canal was conclusive evidence of the failure of the American trans-continental railways, and that the present canal policy of New York was in itself a conviction of the New York Central Railway, and a proof of the despair in which the oppressed New Yorkers found themselves; suppose he were further to refer to shipments around Cape Horn, the enormous traffic of the Great Lakes, and the survival of the Coast-wise traffic, as proofs of the incompetency of American railway management; he would then be adopting exactly the kind of reasoning which has been applied to German railway and industrial policy. In a word, I am ready to support the thesis that there is nothing of consequence in the railway history of Prussia and of France which militates against government control of railway



rates in the United States. On the contrary, that experience proves "beyond a shadow of a doubt" that there are two, and only two, alternatives before the world today with respect to railways: either government ownership and operation, or rigid governmental control. My choice is the second alternative.

## DISCUSSION

### ON PAPERS ON RAILWAY RATE REGULATION

F. H. DIXON: It is obviously impossible for me in the few moments at my command to do more than state in a general way the points of agreement or disagreement with the interesting papers to which you have just listened. Any attempt to controvert specific points is quite out of question.

I must say at the outset, then, that in my opinion, the views of Mr. Hugo Meyer, as presented here today and elsewhere in his writings and testimony, while thoroughly stimulating, and calculated to make one pause and consider, are not in their ultimate consequences possible of acceptance. They lead inevitably to the policy of extreme *laissez-faire*, to the general conclusion that the interaction of competitive forces, undisturbed by state interference, has led and will lead to beneficent results to the people and industries of this country, and that any governmental interference must have a tendency to thwart the working of this beneficent policy. Property rights will, of course, find their protection in the courts, but only through the judiciary with its intolerable delays and its expensive processes, is the public to have any protection. This, so the argument would insist, is all the protection that the public needs. If it persists in demanding anything further, it confesses itself blind to the enormous benefits now enjoyed from an unhampered transportation system.

My own point of view may be expressed in a remark which I heard made recently by a prominent railroad president. He said that there was no longer any ques-

tion that a railroad must be regarded as a public servant and subject to the regulating power of the state, and that this implied the existence of some regulating body. That evils will arise and injustice be done in the operation of our vast transportation system is inevitable. Mr. Meyer would call this a necessary evil, one of the growing pains of progress, to be endured because of the larger benefit sure to result. My own belief is that these injustices are real and persistent and that there should be a body clothed with power speedily to do away with them.

The main contention of the paper is that the regulation of rates by a government commission leads inevitably to a distance tariff. A political body must be guided by administrative rules and cannot permit the element of discretion to enter into its decisions and consequently the only basis of action that will meet at all satisfactorily the pressure of conflicting interests is a tariff framed on the mileage basis. Such a tariff would be destructive of industry. Before discussing this point, I wish to register my protest against the form of argument which has been so common during the past year, that of basing the effect of a future policy of regulation upon a minute dissection of the Commission's utterances and decisions in the past, pouncing eagerly upon a chance sentence and using it as though it were a fundamental principle of Commission action, or preparing elaborate tables of statistics showing the number of times in which the Commission has been reversed by the courts, and drawing from such facts as these the conclusion that the Commission is utterly inefficient. One would rather expect that opponents of railroad regulation instead of becoming so disturbed over the

inaptitude of this body, would welcome its continuance in its present form, for after it has been so thoroughly disposed of by the courts, it can be but a slight hindrance to the working of railroad plans. However this may be, this method of exposure so persistently followed, even when pursued with fairness, is of little real value in deciding our future policy. If the personnel of the Commission has been weak, which I do not maintain, there is no reason why it should not be strengthened. If it has not shown sufficient familiarity with difficult traffic questions, it may be so constituted as to contain traffic experts. The failure of five men to perform everything that was expected of them when the law was framed, is by no means a final condemnation of the principle of regulation. If it were possible to expose to public view the policy and the decisions of prominent traffic managers for the past eighteen years, so that they might be scrutinized with the same care that has been bestowed upon the Commission's actions, we should doubtless discover many errors of judgment, many injustices, many well-intentioned but disastrous experiments. It is a favorite statement that railways do not make rates, that they merely register commercial conditions. Such a biography would I doubt not reveal much arbitrary rate-making, and many guesses. I doubt whether under such circumstances we should hear quite so much of the beneficence of unregulated railroad management.

But to recur to the fundamental thesis of the paper under discussion, the danger of subjecting the country, under Commission regulation, to the distance tariff. In the first place it is worth while to inquire whether the policy of disregarding distance which is carried to

such an extreme by American roads, has necessarily and always been for the country's best interest. Mr. Meyer attributes our prosperity unhesitatingly to this policy; he accepts it as self-evident. I feel that it is by no means proved. As has been recently pointed out, the country has been obliged to bear the burden of indirect shipments on differential roads, and cross-shipments of goods of the same character to markets far removed from producing sections. The traffic manager obviously looks at the question from the point of view of his own road alone. It does not at all follow that his strenuous efforts to develop territory and secure business that leads him even to invade the territory of another system, is for the best economic interest of the country as a whole. Rate wars and patched up peace treaties may be regarded by some as automatic and beneficent adjustments of the rate question, but they involve unquestionably great economic waste. Such consequences as these are not to be disposed of as an eminent railroad president has attempted to do in the last number of the *Yale Review*, by a burst of sarcasm that ends with an exclamation point. The fact that I wish to establish is that some regard for the distance principle in rate-making would not be disastrous, but in the long run and for the whole country, beneficial.

In the second place, I would call attention to the fact that the principle is in actual practice to a considerable extent in some sections of the country, particularly in Trunk-line territory, and with no such serious consequences as you might be led to expect from the paper that has just been read. I admit that this principle is most extensively observed in the heavy traffic sections

where conditions have become stable, but this merely proves that with denser traffic and increasing stability of business in the future we may look without alarm upon a more general conformity with the practice which this principle implies.

Finally I do not anticipate any radical enforcement of the mileage rate by this or any future Commission. The decision of the Commission in the Seaboard Differential cases should dispel this fear. I recognize that there is some force in the argument that conflict of sectional interests will drive an administrative body to action based upon a system of inelastic rules, but Professor Meyer's assertions as to the probability that such a practice will be followed in the United States is drawn from the experience of countries in which the railroads are owned by the government. Here a Commission will have only an amendatory, not an initiatory power. It will be presented with concrete cases, and its inclination, quite as much as its responsibility as a government agency, will impel it to a conservative course of action that will disturb existing conditions as little as is consistent with the promotion of justice. I cannot but feel that any action taken by a government commission in the direction of establishing distance tariffs, will be taken deliberately and with conservatism. No radical action will be tolerated, and it is always to be remembered that the railroads have open to them these same courts to which they have so often invited the public to go, courts that are open not only to hear complaints but also to issue injunctions if property rights are endangered.

But even if distance tariffs should be introduced, which as I have said, I do not anticipate, I should even

then insist that the consequences would be less serious for the country as a whole than the abandonment of the principle that the public interest is paramount should be expressed through some regulating body.

S. G. MCPHERSON : "Railway rate regulation" is a phrase that is vague in meaning and exceedingly elastic in application. None of the speakers who have preceded me have made any specific reference to any definite phase of rate regulation and it is therefore difficult for me to base my discussion upon what has been said. I am constrained however, in reference to the assumption of Mr. Meyer of Wisconsin, that the members of this Association are familiar with the fact that a railroad company is not of the same order of business as a soap factory, and therefore not subject to the same underlying principles, to suggest that perhaps Mr. Meyer's assumption carried an implication that reaches further than he intended ; that is, that a railroad is in no respect like a soap factory. The fact is that in so far as its balance sheet is concerned a railroad company is exactly like a soap factory : if it spend more than it earns it can not like the Post Office Department make up the deficit from taxation, but it is sold out just like a soap factory or any other business concern.

As bearing upon this fundamental statement suppose we consider some of the elementary principles that must be observed in railway rate making, no difference by what agency the rates are made, if the communities served by the railroads are to be prosperous. It must be borne in mind that the cost of a railroad is a whole. Although we speak of the cost as being so much per mile we mean only an average cost per mile which



bears no immediate relation to the cost of any particular mile. A railroad,—the roadbed and buildings and the equipment,—constitute one machine, neither the revenue nor the expenditures of which vary with the mileage of the road nor the mileage of the trains or the cars. The expenditure for maintaining the organization bears only a remote relation to the mileage of the road or the amount of business done. Of the expense for maintaining the plant it is estimated that about three-fifths is independent of the amount of business done. Of the expenditure for doing the work a very considerable proportion has to be incurred whether there be a large or a small volume of business. That is, the expenditure of a railroad must be regarded as a whole. It cannot be allocated between particular trains or particular cars and therefore it cannot be determined just what it costs to haul any particular commodity any particular distance.

To obtain the greatest return for its expenditure a railroad company must run the greatest possible number of trains each composed of the greatest possible number of cars and each car to the extent that may be possible must be loaded to its capacity. The revenue of a railroad company must also be considered as a whole and any portion of that whole is a gain so long as it exceeds the immediate expenditure which it entails. That it may run the greatest possible number of trains each composed of the greatest possible number of loaded cars a railroad company must seek the greatest traffic. That is, it must so adjust its rates that the greatest volume of traffic may find a market. Traffic that will not find a market unless it is hauled five hundred miles at the same rate as for fifty miles must

be hauled five hundred miles at that rate : otherwise the producers of that traffic would be deprived of their livelihood and the consumers of that which contributes to supply their wants. If to obtain traffic that would otherwise go over another line a railroad must make lower rates than to intermediate points on its own line, it must make those rates : otherwise the traffic to the intermediate points would have to provide for all of the expenditure, but if a portion of the competitive traffic is obtained, the burden upon the intermediate traffic is so much the less. If it is necessary for a railroad to secure traffic in competition with a steamboat line to make lesser rates than it obtains for similar traffic on other portions of its lines it must make these lesser rates : otherwise the traffic not in competition with the water-ways will have to bear the entire burden of the railroad's expenditure. Under this principle of charging "what the traffic will bear", that is of not charging what the traffic will not bear there has been developed that system of distribution by means of which under railroad rates which are far lower than are elsewhere known, there is brought to the doors of the people of the United States, high and low, rich and poor, commodities in greater variety and volume than to the people of any other nation on earth. The rate of freight has decreased from 18.89 mills in gold per ton per mile in 1870 to 7.8 mills per ton per mile in 1904, the slight rise of little more than 7% since 1899 being much less than the average increase of from twelve to fifteen per cent in the cost of railway labor and twenty-five to thirty per cent in the price of materials consumed in railway operations. The passenger mileage per capita increased from 114 in 1880 to 260 in 1903, the ton mileage per capita from 645 to

2155 and there is hardly a commodity, if indeed there is one, a given quantity of which will not purchase more railroad transportation at this time than then: there is not a day's labor of any kind that will not purchase a greater amount of railroad transportation now than then.

The determination of a railroad rate, as does the determination of any other price, results from the adjustment of several factors, each of which is made the most of by the party interested in giving it emphasis. The determination of the freight rate no more than the determination of any other price has been unattended by friction. Endless contests have been adjusted through endless compromises, the arrival at which under the genius of the common law is left to the contestants unless in the process there is trespass upon the rights of any individual or upon the public good. The status of freight rates that now exists in the United States has been reached through just such contests by just such compromises and it is a structure most sensitively interwrought.

It almost goes without saying that the processes of this achievement have not been unattended by grave abuses. Railroad managers are but human and they have had to develop a new transportation status under the pounding of industrial and commercial forces that during the last century have surged and seethed as at no other time in history. The struggles to obtain competitive business have at times led to disastrous rate wars that have been unsettling to the railroads and to business in general and in the endeavor to obtain the greatest revenue concessions have been made so large that have undoubtedly wrought injustice to small

shippers and in the endeavor to penetrate and remain in markets strongly competitive unwarranted discrimination may have been made against markets that were not. Against these and other evils that may have existed in railroad administration and may perhaps to an extent still exist there never has been a time when there could not have been recourse to the courts. To facilitate such recourse and expedite action there was enacted in 1887 the interstate commerce law under which all rebates were absolutely forbidden, all unreasonably high or unjustly discriminatory tariffs were prohibited. In 1903 was passed the Elkins law strengthening the enactment against rebates offering still further facilities for investigation and prosecution and still further expediting procedure and creating a new summary process for remedying tariff discriminations.

That the freight rates of the United States are not unreasonable in themselves is shown by the fact that during the first eighteen years of its existence the Interstate Commerce Commission so decided but twenty-six cases or about one and a half per annum. "Further than this not one of these decisions was sustained by the courts and there has not been a single case of a rate unreasonable in itself established in the courts since the interstate commerce act was passed."

That the interstate commerce law and the Elkins law afford ample protection against rebates and discriminations is proved by the recent conviction and punishment of four dressed beef shippers in Chicago for conspiracy to obtain rebates and the recent bringing of fourteen indictments against different railroads and shippers for violating the law against rebates. If however these laws can be strengthened and made more

effective in enforcement there is no one in this country who will say nay, but in the language of the President of the United States "It must not be forgotten that our railways are the arteries through which the commercial life blood of this nation flows. Nothing could be more foolish than the enactment of legislation which would unnecessarily interfere with the development and operation of these commercial agencies."

DON C. BARRETT: A large part of this problem lies around the question of the distance tariff. Our decision in the matter of giving a commission power to fix rates depends decidedly upon the extent to which a distance tariff will necessarily be made use of under such a system. Mr. Meyer of Chicago maintains that the distance tariff will become the dominating element in the rate-making process under government regulation. In his recent book—though not in his paper this afternoon—he cites proof from the experience of the leading countries of the world which have tried government regulation. Mr. Meyer of Wisconsin maintains that under regulation by commission the distance tariff will not become a chief element in the rate-making process, because to think so would argue ignorance and the lack of disinterestedness on the part of commissioners. Being a railway commissioner, he doesn't much fancy this assumption. Mr. Meyer of Chicago is able to present a rather interesting array of facts in support of his thesis, and I am inclined to believe with him. But let us admit that distance would play a great rôle in the hands of a commission with power to fix rates. It is fairly well demonstrated by the experience of foreign countries having governmental ownership or govern-

ment regulation of rates, and to some extent demonstrated by our own experience, that the fluidity or elasticity of rates tends to be destroyed in something like the proportion in which government regulation is indulged in. On the other hand, even Mr. Meyer of Chicago will admit that grave abuses of local discrimination—so grave as to accomplish the ruin of entire communities—result from the unrestrained manipulation of rates by traffic managers. But he sees so keenly the advantages of elasticity in rates that he is not willing to see this elasticity curtailed even if it is accompanied by great abuses. The principle lying at the bottom of his reasoning is that expressed by the notion of "making two blades of grass grow where one only grew before." That is, that it is better for us to develop our resources, to increase our wealth, as rapidly as possible, regardless of other considerations and consequences. This, it seems to me, is a wrong basis for a starting point. The Interstate Commerce Commission has at times been ridiculed for attempting to regulate rates in accordance with a peculiar "theory of social progress". It seems to me that regulation of rates in accordance with the sole principle of "making two blades of grass grow where one only grew before" is itself a regulation by a very unjust "theory of social progress". It takes only a little inquiry into the facts to convince oneself that the existing methods of rate-making do not cause two blades of grass to grow where one grew before. Rather, it causes two blades of grass to grow in a new place, and uproots and destroys the one blade which grew before. It would be better to sacrifice some portion of the excellent quality of elasticity in order to be able to assure the public that jus-

tice, evenhanded, is being done by the carriers. What we wish to do is to avoid legislation which will take away the elasticity of the railway rates and at the same time to secure legislation which will give a sense of security against unjust discriminations between groups of individuals or different localities. To accomplish this result completely is impossible ; but to do it in the best possible fashion, the most feasible plan which has been proposed is, in my opinion, the one to establish, in the first place, a railway court to try cases directly as they arise, under laws similar to those now existing. Such a court might be either a special railway court composed of judges coördinate in rank with those of the federal Circuit Court of Appeals and with competence in no other matters except violations of statutes relating to interstate commerce ; or such a court might be composed of a given number of federal circuit court judges, not forming a separate, distinct court. The suggestion that a court composed of the given number of federal circuit court judges would tend better to keep the members of the court in close touch with the general law and spirit of our institutions, and would prevent them from exaggerating the importance of their particular court, is perhaps a good one. Then, to establish, in the second place, a commission, the majority of whom shall be traffic experts with duties to investigate the books and accounts of the railway companies, and to give expert advice to the railway court. Such a plan, providing for a railway court and a commission of experts, as Dr. Hadley has said, would not bring about radical changes, but in the long run would, like the Massachusetts plan of commission, bring better results for both public and carrier.



W. C. FISHER: The subject of our discussion, as it was announced to us, was the governmental regulation of railway rates: but, as the discussion has developed, it has, in fact, taken largely the form of a criticism of the Interstate Commerce Commission, and some of the time a rather harsh criticism at that. Probably most of us believe that we can see mistakes in the career of the commission. Probably it has framed judgments as to the character and condition of service, as to rates and all the rest, which have been proved in some measure impracticable. But we must remember that its record has been open to the examination of all, even in the first experimental years when it was developing its policy, and that the alertness of the railways to attack it whenever its policy seemed vulnerable has made every mistake show, quickly and sharply. But I wonder what would have appeared if all the records of the pools, bureaus, and associations which the railways have instituted for the regulation of their traffic had been as open to adverse criticism. Would there not have been seen a great many mistakes on that side as well? Would there not appear a long list of classifications, rates, discriminations, and agreements the impracticability or injustice of which have been unknown simply because the whole policies of which these were a part have themselves been more or less secret?

But it is not incumbent upon me, or upon any of us here, to defend the Interstate Commerce Commission. The history and policy of the Commission are well known to all of us who are gathered here; and, although an examination of the activity of that agency of the government would no doubt prove an interesting topic for discussion, I must turn my attention in the

few minutes at my disposal to the topic upon which I was asked to speak, the governmental regulation of railway rates.

The railways in this country, as abroad, have been one of the most powerful agencies in the development of twentieth century civilization. But it would be a sad error to declare that the wonderful industrial development of the United States, to which our attention has been called so often and so pointedly, has been due altogether, or even most largely, to the railways. That would be to ignore the extraordinary natural resources of our land for many forms of production, agriculture, mining, grazing, manufactures, commerce. And it would also be a sad error to affirm that the railways have contributed quite as much as they might have done to the highest development of social life in the United States, or even to the broadest and best production and distribution of wealth. That would be to ignore the many instances in which the managers of the railway system, wise and energetic as they have been, have failed to take due account of the fundamental economic and social principles to which they, like all the rest of us, must conform their action if they would attain the best and the most permanent results for all classes in society. And that would, I fear, also be to ignore still more instances in which the managers of our railways have sought, by the unjust employment of their great power, to secure for their respective companies, and sometimes for their individual selves, iniquitous gains at the cost of very great damage to others. In short, a careful survey of our industrial history will not allow us to believe that an industry which affects so profoundly the largest interests of society, in which

there is so little opportunity for the safeguards of competition, and in which such vast power has come to be centralized in the hands of a few, can with any safety be released from the restraining and guiding influence of organized society.

It is, to be sure, probable that government will make mistakes of one sort and another in the exercise of control. Indeed, I should say more. It is certain that government will make very serious mistakes. But, even with our very incomplete knowledge of what the private managers of railways have done, I should not hesitate to say that they too have made very many serious mistakes; and I cannot doubt that what we know is only a small part of what has been kept from us in the secret records of the pools and traffic associations. But, to my mind, it is clear that, if railways are to be regarded as agencies of the highest importance for the development and betterment of social life at large, and not merely as sources of private gain for the so-called owners, we may be sure of a larger true balance of good over evil under that arrangement by which government exercises a real and constant control. I cannot doubt that, by a proper organization of its agencies of control, government can command in sufficient numbers men of as high ability as can be found in railway offices, and men who, by their training and position, will be quite as competent as the railway managers to solve the complex and difficult problems of railway administration. And it must be counted as an advantage of unmeasured importance for the public control that government officials are less under the temptation to subordinate the known interests of society as a whole to the possibility of their own easy and safe aggrandizement.

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If then the propriety of some sort of governmental control be granted, the method and agency seem to me to be easy of selection, at least in a general way. The railway business, like other forms of business, and the possibilities of benefit and damage to society centre about its charges; and government will never lack for real control as long as it asserts its authority over rates and those other terms and conditions of service which are intimately connected with rates.

And, if we proceed further upon the assumption of that measure of distinctness among the departments and agencies of government which the form of our American institutions—and perhaps the nature of government itself—imposes upon us, there can be little doubt that the most advantageous agency of control cannot be what we call legislative or judicial, and that it must, therefore, be executive or administrative. A typical case of the problems of public control would be the simple determination of a just rate. And it is manifest that the determination of such a rate by legislative procedure would be intolerably slow of achievement; or, what in reality amounts to much the same thing, that it would give too great a fixity of rates. Much the same objection must lie against the declaration of a just rate by the ordinary processes of the general courts, even if anything more than the power to decide that a given rate is not just be conceded to the courts. There remains then only the general possibility of an agency whose functions would resemble in some measure the judicial and which might, therefore, be called a court, but which more properly should be classed among the administrative branches of government. The precise character of this administrative agency and the

W. H. C.

exact powers to be entrusted to it could not well be determined in advance of experience; but I do not believe that we should go far astray in giving approval to an agency somewhat like the Interstate Commerce Commission endowed with the larger authority which it is just now proposed to confer.

But upon all matters of detail there may be honest and perhaps considerable differences of opinion. I do not see how anyone who understands the drift of sentiment at present, not only in the United States but all over the world, can hesitate to give his approval to some form of effective governmental control of the railways. The growing determination that what concerns the vital interests of all shall be administered in such way as to promote the welfare of all—the growth of socialism, if you wish to call it so—is so manifest that those who are reluctant to see the vast capital of the railways taken over outright by the state ought to be among the first to make sure of a compromise while yet a compromise is possible. If it is public control now, it may very well be public ownership in the near future.

F. B. THURBER: I have been a student of the transportation problem for thirty years; first, as a shipper, and more recently as president of the U. S. Export Association, which is interested in widening the markets for American products. When I began I thought I knew all about it. Thirty years study has taught me that I have still much to learn.

In this, as in most other problems, it comes down, in the last analysis, to what is reasonable.

The suit of the United States against R. D. Wood & Co., iron pipe manufacturers, of Philadelphia, for ac-

cepting a rebate of five cents per 100 lbs. on 15,000 tons of iron pipe shipped to Winnipeg, Manitoba and against certain railroads for giving it, is a case in point.

This was an export order and the United States would not have got the business unless the lower freight rate had been made. Who was benefitted by this? American labor and American capital. Who was injured? The Scotch or English manufacturers, who would otherwise have got the business.

Let us take another case: A grain merchant in Chicago receives a cable offer from Liverpool for a cargo of wheat. At the schedule rate of freight by regular lines it cannot be accepted. The grain merchant goes to the contracting freight agent, shows him the offer and asks for a cut rate which will enable him to get the business. The agent sees that it is a case of necessity, takes the risk of getting a low ocean rate by a tram steamer or getting the regular lines to pro-rate, and names a through rate that will take the business, and within an hour acceptance is cabled, and the United States has sold a cargo of wheat instead of Argentine. If the rate-making power had been in official clamps, it would have been impossible to transact this business, because of the delay and red tape which would have been necessary—and yet our well-meaning President has said that the land rate on all international business must be rigidly maintained.

The local grain merchant on the seaboard was not injured by this transaction, and so long as his rate to the seaboard for local consumption is reasonable, he has no reason to find fault. In point of fact his rate is less than one-half that of other principal countries.

Suppose our trans-continental roads wish to develop

the market in the Orient for Southern cotton or Pennsylvania iron, by making a cut rate to the Pacific Coast on some special transaction. Is it reasonable that they should not be permitted to do so, provided that the same rate is open to all under similar circumstances? In the intricate play and interplay of competitive forces in modern commerce there should be a reasonable elasticity. Let the highways of commerce be open to all upon equal terms under like circumstances, but in this age of steam and electricity, when "the field is the world" in commerce as well as in religion, we should not put our commerce into castiron clamps.

D. C. W. THOM : The most heralded plan for regulation would, first, very greatly reduce wages ; secondly, cut the market value of transportation securities ; thirdly, destroy an appalling amount of the property of the farmers and inland business men ; and, finally, would shock business.

The Constitution empowered the Congress "to regulate commerce among the several states" and to establish post roads. And as the Congress has wisely decided not to avail itself of that power directly, but rather, by means of private initiative, it should so safeguard its exercise that the smallest or the weakest shipper will enjoy as favorable a rate as the greatest or strongest shipper. But I also read these words : "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States, nor shall any state deprive any person of life, liberty, or property without due process of law". Therefore, I advocate a procedure which shall safeguard the interests of the shipper but without trenching upon property rights.



I propose essentially three things :

First. Legalized pooling of rates. That would permit a flexibility which, while fostering business, would promote such a well digested schedule that appeals from it need seldom occur.

Secondly. The speedy presentation at the request of an investigating Interstate Commerce Commission by the Department of Justice at its own cost of the case of any complaining shipper for prompt and final decision so far as it concerns damages and the announcement of a fair rate before such one as it chose of either of the United States Courts immediately subordinate to the Supreme Court.

Third. Such increase of the personnel of the said two courts as might be necessary to speedily handle any new business resulting from rate appeals.

Adequate relief would be had in a constitutional way, and every shipper would be guaranteed an equal opportunity.

But what a jumble of influences would be upon any body of men who, in reaching a conclusion upon an appeal rate case, would be called upon, to investigate, to declare judicially against a certain rate, to legislate as to what rate should be established, and to have applied the rate they have declared proper.

Such administration must prove unfair. For no one small body of men can hope to grasp fairly all the local conditions needed to be realized before a sound conclusion as to what is a fair rate could be reached. The inevitable tendency of such tribunals is to establish a fixed rate per mile—your distance tariff. The history of all the nations shows that. Indeed, whenever a small central body has been entrusted with the establishing

of rates, you promptly get a lower rate and very soon a low and a distance rate; for the lowest rate extant in the territory in question is taken as a basis practically regardless of conditions, because the same rate per mile for hauling the same goods seems on its face so fair a proposition that the tribunal's decision is made to that effect. In the United States, then, we would expect that an Interstate Commerce Commission in making rates would bring about lower rates and distance rates.

Put that into effect. The railroad's income falls away. The wages of employees suffer first. Would it help business to have them suffer? And would it be well for holders of transportation company's securities to suffer too? And would it help the general welfare of this country to have a farmer or a business man a thousand miles from a suitable export market kept from his fair quota of business because the cost of raising plus the fixed rate per mile of freight to the export market prevented his competing with his competitor who was only one hundred miles away from that market? The value of those distant farming lands would fall off. The incidence on all non-local business would be similar.

But you object, saying one must pay the penalty of distance. Since the vast majority of American citizens live far away from export shipping points, why should that great majority wish to injure themselves? They do not. They are only not yet aware of that corollary of the Interstate Commerce plan. So much for that phase of the question.

Why should Congress think it right to take through arbitrarily enforced reduction of tolls the value of private property it had called into being through the

granting of certain rights? That is what is really proposed when to any extent beyond seeing that a definite piece of hauling is done at a sound rate they would institute an executive body clothed with arbitrary rate-making powers until after a tedious time the court may correct them.

Justice does not result under such influences from a rate-making commission. But there is one place where justice does customarily result. That is in a regular American court. For the freedom that is predicated in that, for the business growth that it implies, for all the thousand benefits that would flow from its orderly application, I advocate the plan I have stated; for in that way only, it seems to me, can the people obtain justice.

H. R. MEYER:<sup>1</sup> I beg leave to reply to certain criticisms made by Messrs. Meyer and Fisher upon my book upon "Government regulation of railway rates."

As to the statement that the firm of von Bolle was stabling 1400 cows in Berlin in 1902. Upon referring to the notes which I used in the preparation of my book, I find that I had before me the following facts, taken from *Vierteljahreshefte zur Statistik des Deutschen Reichs*, *Statistisches Jahrbuch f. d. Deutsche Reich* and *Preussische Statistik*. The number of cows stabled in Berlin in 1883, 1892 and 1900, was respectively: 2584, 5236 and 10,010. There were indications that about 70% of the increase in the number of cows between 1892 and 1900 had occurred in 1898 to 1900. On the assumption that the rate of increase in 1898 to 1900

<sup>1</sup> Mr. Meyer did not recall his remarks and substituted the following for them.

was maintained in 1900 and 1902, there would have been in 1902 no less than 12238. Furthermore, the article in the *Zeitung d. Vereins deutscher Eisenbahnverwaltungen* stated that the difficulty of supplying Berlin with milk was increasing. Under the circumstance, I felt warranted in assuming that he was correct in saying that the firm of von Bolle was stabling 14,000 cows in Berlin. It was not inconceivable that the firm in question should have practically a monopoly of the dairy industry within Berlin.

Subsequent investigation has shown me that there were in 1902, in Berlin: 9629 cows. It has also shown that distant regions cannot be enabled to supply milk for the daily consumption of large cities unless those distant regions have the advantage of the American practice of group rates. In 1902, no less than 18% of the milk supply of Berlin, with the suburbs of Charlottenburg, Schöneberg and Rixdorf was produced within those cities, by 11,431 cows. Another 10% was brought in by wagon; and only 72% was brought in by rail. The railway department had in force milk rates from points as far distant as 194 miles. But as a matter of fact the railway departments' rates were practically prohibitive for points distant more than 75 miles. Not less than 98.65% of the milk carried into Berlin by rail was shipped not to exceed 75 miles; 85.5% was shipped not to exceed 50 miles; and 33.74% was shipped not to exceed 25 miles.

Mr. Meyer's criticism that I had attributed to M. Colson's "*Tarifs et transports*" statements not to be found in that book, if well founded, is to be attributed to ignorance on my part of the rules governing the practice of making references. At the close of the chapter

on France I made a reference to M. Colson's book, intending to indicate that in that book the reader would find a wealth of facts showing the discrimination which exists in France in favor of districts supplied with waterways as against districts supplied with railways only. I regret that I did not make the note read: For instances of such discrimination, compare C. Colson: "*Transports et tarifs*."

Mr. Willard Fisher regretted that he had found me guilty of misleading the reader by stating, in the course of a comparison of European and American railway rates, that in the United States millions of bushels of wheat for export had moved to the seaboard at less than 1.5 mills per ton-mile. Mr. Fisher said the statement was misleading, for it appeared in another part of the book that the rate in question had been made during a rate war. On p. 145 of my book occurs this sentence: In the United States, millions of bushels of wheat for export have moved to the seaboard at less than 1.5 mills per short ton mile, and probably the average receipts for grain moving to the Atlantic seaboard for export are nearer 2 mills than 3 mills per short ton mile.

B. H. MEYER: In the concluding paragraphs of my paper I have made only general statements regarding the testimony and recently published book of the preceding speaker, Mr. Hugo R. Meyer. I assume responsibility for full and definite proof of my statements, and in due time I hope to lay before members of the Association in printed form more definite criticism with specific references. The preceding speaker has used references in a manner which appears to me to be unwarranted. In the chapter on France, for instance, he

makes several general references to Colson. The reference in the closing paragraph of the chapter is to Colson, thus tending to convey the impression that Colson supports his (Mr. H. R. Meyer's) opinions. This particular volume of Colson's embraces about 700 pages, and it must be conceded that specific references should have been given. In a number of places in this volume, "*Transports et tarifs*," Colson expresses opinions which are exactly the reverse of the dominating opinions of the author, and in one place where Colson speaks of the right of the railway companies to take the initiative in making rates, and the power of the minister of public works to approve or disapprove such rates, he describes this arrangement as a most happy one.

Again, we have all heard about the 14,000 cows which a man by the name of Bolle is said to maintain in the city of Berlin, because the Prussian railways make it impossible for him and other milk dealers to secure an adequate supply of milk by means of the railways. As a matter of fact, Bolle has not a single cow in Berlin and keeps only about 150 in one of the suburbs. Furthermore, the total number of cows in Berlin together with the adjacent suburbs is very much less than 14,000, and according to the statement of Bolle, which I have in writing, there is no causal connection whatever between the number of cows in Berlin and the railway rates on milk. Mere coincidences must not be considered as causal relations. There are many other factors to be considered when one discusses the number of cows kept in Berlin or in any other German city. Those who are familiar with German life know very well how frequently one can see in the small German town a cow or a goat feeding upon the small grazing plots connected

with the parcels of land which are owned by day-laborers. One may say that it is a national custom to maintain a cow or a goat if it is in any way possible to do so. It remains to be seen to what extent this national custom influences the number of cows which are kept in the large cities; but this subject is one which cannot be pursued further here. We may well ask, How did Mr. Hugo R. Meyer happen to make such an error,—an error which he repeats twice in his book, and presents with a good many embellishments in his testimony before the senate committee. In one place in his book, he gives as his authority for the statement regarding the 14,000 cows, the *Zeitung des Vereins Deutscher Eisenbahnverwaltungen*. Fortunately, I had been a reader of this paper for some time before the book appeared, and I could readily refer to it. The article referred to discusses the history of the development of the milk traffic, and in the opening paragraphs the author, referring to the great development of the milk supply for cities, says, in an entirely casual manner, that it is reported that Bolle has 14,000 cows in Berlin. He does not give this as a fact, but merely as a matter of hearsay, and his purpose in referring to this report is to illustrate the magnitude of the dairy business. The writer of the article then goes on to sketch the development of the milk business and the milk traffic on the railways, stating that twenty years of experience in dealing with the state railways has resulted in the needs of the agricultural and the dairy interests having been met in a satisfactory manner. On the whole, an impartial reader would be compelled to say that this article in the *Zeitung* was appreciative with respect to the services rendered by the railways. Mr. Hugo R. Meyer might be par-



doned for using the statement contained in so reliable a paper as the *Zeitung*, although very few members of the American Economic Association would have the courage to draw far-reaching conclusions on the basis of newspaper reports. My chief objection, however, is not that the author of the book uses references from the *Zeitung*, but that the *Zeitung* and other references quoted by him do not state what he says they do.

The preceding speaker seems to ignore the very important fact that in Prussia all proceedings with reference to railway rates are published. Everything is carried on in full view of the public eye. Suppose we could have proceedings in the United States similar to this! Suppose we could know everything that is said in the railway offices and in the meetings of committees and conferences between shippers and representatives of the railways! Suppose we could have an official report of the many proceedings connected with the establishment of the percentage grouping or basing system! By collecting the expressions of the discontented made before these many different committees, or in different railway offices, and skillfully presenting them in the form of a brief, as the preceding speaker has done with reference to the Prussian railways, it would be possible to construct a railway history of the United States which would make us appear to be a nation of anarchists.

I am very sorry that I must say these things, but certain misleading statements have been spread broadcast throughout this country, and I feel constrained to say at least this much in this place.

The subject which we were requested to discuss by the President of the Association was the public regula-

tion of railway rates, and not an accusation or defense of the Interstate Commerce Commission. I have, therefore, devoted practically no space to the Interstate Commerce Commission, except in so far as a reference to this Commission is necessary in an intelligent discussion of the subject. The Interstate Commerce Commission needs no defense at my hands. Yet I wish to embrace this opportunity to say that, taking the work of the Commission from the time of its organization to the present, I have a very good opinion of it. I cannot share the view which has been expressed by some regarding the alleged deterioration of the work of the Commission. I have not read all of its decisions, but I have read carefully the great majority of them, and I do not hesitate to say that the decisions of the last five years compare most favorably with the decisions of the first five years or of any other five years in the history of the Commission.

I yield to no man in my appreciation of what the great railway leaders of the country have accomplished. We need legislation, not for the most of them, not for the many, but rather for the few who fail to use the great power which is vested in their hands in accordance with principles of justice, and who through the misuse of their power coerce others, who would voluntarily do what most men regard as right, into their own objectionable ways of conducting the transportation business of the country. This is why we need additional legislation.

## THE CASE FOR MUNICIPAL OWNERSHIP

FREDERIC C. HOWE

For the third time in history America is face to face with a struggle for democracy. The issue is most clearly expressed in our cities. It is coming to the front in a number of commonwealths. It is severing party ties and forecasting a new political alignment. The new democracy is laying its foundations for a permanent home. It is adopting measures for the permanence of its control. These measures are direct legislation through the initiative and referendum, direct primaries, and municipal home rule. These are the political agencies sought. Municipal ownership is but an industrial expression of democracy.

And the question is not so much, Do we believe in municipal ownership? The question is: Do we believe in democracy? Do we really want a government of the people, with all of its possibilities of good and evil? A government gradually broadening the significance of liberty, beyond the purely personal relations of the early Bills of Rights? And in passing on the achievements of democracy, it is necessary to bear in mind that we nowhere have a representative government. Democracy enjoys only so much liberty as privilege permits to it. Its ideals enter legislation only in so far as those ideals do not conflict with big business. Democracy has been drugged by those interests which are constantly struggling for its control. Even in those cities where the greatest achievements have been made, the community has been divided like an armed camp,

and its energy devoted to self-protection rather than to the accomplishment of a definite program.

The question; Does municipal ownership pay? is least of all a financial one. No other agency of government is subjected to a purely commercial test. The motive of our police, fire, health, street, park, school and library departments is one of safety, convenience, comfort, happiness. Even the annual deficit in the postal department is willingly borne, because the social service is so great. The real test of municipal ownership is not a monetary one; not the relief of taxation; not a profit or loss account; not even cheap water, gas or electricity. It is rather one of higher civic life.

But measured by the taxpayer's standard, municipal ownership pays. It pays in water; it pays in electric lighting; it pays in municipal markets and docks. Even Cincinnati has made a splendid financial success out of the Cincinnati Southern Railroad. And this success has been achieved in the face of the fact that our cities are governed by the big privileged interests, the poison of whose interference extends even to those departments in which they have no direct pecuniary interest. And there is no demand, no movement, in any of our cities, for a return to private ownership. The water, electricity, and gas enterprises are as sacredly held as are the schools, the parks, the police and fire departments. This at least is the democratic test of success or failure.

Here and there the reports of experts may show inadequate provision for depreciation, no payment for taxes and the prevalence of the spoils system. This is particularly true of electric lighting. But it must be remembered that the electric lighting plants of Detroit,

Chicago, and Allegheny have been denied the right to sell light, current and power for commercial use. They are limited to public lighting; they are denied the most profitable source of revenue. Even in the face of this fact it is claimed that the total saving of the city of Detroit, including lost taxes, was \$1,183,813 in ten years time, through the public ownership of the electric lighting plant. The system was opened by Mayor Pingree in 1895. At the lowest bid then obtainable from a private company, on a ten-year contract, Detroit would have had to pay for lighting \$2,533,538. During this period the total outlay on the public plant has been but \$1,209,725, which includes a sum of \$239,799 for depreciation. The average cost of operation for ten years has been but \$43 per arc lamp, and the average total cost has been \$65, against \$102, which was the best price obtainable from a private company. Last year the operating cost was reduced to \$35 per arc lamp, while the total cost including all charges, was something less than \$60.

The evidence of municipal water plants is much more conclusive. A cursory examination seems to show that municipal ownership has justified itself here, even on the commercial side.

The city of Chicago has a water plant whose capital cost is \$37,436,010. The plant could be duplicated today for \$25,000,000. Its outstanding indebtedness is but \$4,062,107. The net profit in physical property is approximately \$21,000,000. In 1904 the gross earnings were \$4,171,194, and the operating expenses \$1,736,846. The gross profits amounted to \$2,434,348. Deducting \$164,727, the interest paid out of earnings, the net profit for the year amounted to \$2,269,621.

The present structural value of the Cleveland Water Works is \$9,900,000. The indebtedness of the plant is but \$4,200,000. The net assets belonging to the city, in excess of the obligations, is therefore \$5,700,000. The gross earnings in 1904 were \$792,412. The operating expenses in the same year were \$349,239. This includes a large sum for maintenance. The interest charges paid out of earnings were \$154,595. The net earnings in excess of all charges were, therefore, \$288,578. In addition to this, the city supplies free water for fire and police purposes, for flushing and cleaning the streets, for the public schools, and for all other agencies whose value is approximately \$250,000 more.

The Detroit Water Works are valued at \$7,836,601. Against this is a bonded debt of but \$1,155,000. The net value over and above all liabilities is \$6,681,601. The operating receipts for 1905 were \$589,955, and the operating expenses but \$170,131. The net earnings in excess of operating expenses and interest were \$359,884.

The statistics of the Boston plant are more difficult to ascertain, as the city only owns its distributing system. The source of supply is controlled by the Metropolitan Water Board. But the bonded indebtedness against the Boston plant is exactly one-half its capital cost and the operating profits within the city in 1904 were slightly in excess of \$2,000,000. This sum was almost equivalent to the state assessment and the interest charges to be paid out of earnings.

The water system of New York has been valued at \$125,000,000. In 1903 there was an indebtedness against the plant of \$77,000,000. The cost of operation, of maintenance and interest charges was \$5,200,000,

which is the total cost of the water supply of the metropolis. The annual income is approximately \$9,000,000, and the difference, amounting to \$3,800,000, is the net profit to the city from operation. The net assets owned by the city, in excess of the indebtedness, are \$48,000,000. According to the statement of Robert G. Monroe, the Commissioner of Water Supply, Gas and Electricity under the Low Administration: "Had the water supply been in private hands, financed upon parallel lines, and similar business methods followed to those pursued by the private lighting monopoly, the citizen of New York would be paying between eighteen and twenty millions yearly for water, instead of between five and five and a half millions, the annual cost under public ownership."<sup>1</sup>

Almost every large water plant in America offers indisputable evidence of financial success: and the same is generally true of the smaller ones. As a rule, the public plants are constructed with more permanence than are the private ones. Their engineering talent has been of a good order and provision for the future has been anticipated. Private plants, on the other hand, menaced as they are by short franchises or municipal purchase, have been unable or unwilling to meet the financial burdens incident to securing a pure and adequate supply. The magnificent plants of Boston, New York, Buffalo, Cleveland, Detroit, Milwaukee, and Chicago, which have been largely constructed out of earnings, and which have been projected during an era of very general municipal incompetence, form a standing

<sup>1</sup> Light and water service of New York, *The International Quarterly*, October, 1905.



protest against the suggested incapacity of municipal enterprises. Of the plants in smaller towns, the same is true. Their capital expenditure has been heavy and the administration has been responsive to the demands of the sanitary authorities. Many of them have introduced artificial filtration systems, and have stamped out typhoid fever and similar diseases which are traceable to impure water.

A similar showing might be made of markets and of docks. One of the most striking examples of financial advantage is the Cincinnati Southern Railway. It was constructed at a cost of \$18,000,000. Its present physical value is very much more, and is said to be close to \$25,000,000. It is leased on a basis which will return it to the city free of debt in little more than a generation.

I do not care to dwell on the financial side of public ownership, satisfactory as the exhibit seems to be. Experts may quarrel over these figures, for they are taken from official sources. But it is self-government, not dividends; political morality, not cheap service; a responsive and responsible city administration, not relief from taxation, that is involved.

At last we are coming to shift the blame for the corruption of our cities. Heretofore it has been attributed to democracy; to the spoils system; to the indifference, if not the corruption, of the voter. We have been satisfied with the surface phenomena. We have treated our failures as the failure of democracy. But we do not have a democratic government. What we really have in our large cities is a business-men's government, but a business-men's government rooted in privilege. Privilege always has been a source of corruption.

Either the privilege of unjust taxation, or the privilege of monopoly, will account for nine-tenths of the corruption in city, county, and nation during the last generation. The principal agencies in our cities are the franchise corporations. The cause of their activity is a desire for monopoly uncontrolled by law. Their privileges are secured through a bargain with the city or the state. This bargain is maintained through a partnership with the party. To maintain the fruits of monopoly is the object of their effort. In Republican states and cities the alliance is with the Republican party. In Democratic states and cities the alliance is with the Democratic party. In most states and cities privilege is bipartisan. It employs both parties. In city after city the boss is but the agent of some one of the public service corporations. Through this agency the big privileged interests nominate councilmen, tax assessors, and taxing officials. The thing that is known as the system is the offspring of these interests, united as they are with the party organization. The boss has become the business agent of privilege. This is true of Murphy in New York, of Durham in Philadelphia, of Cox in Cincinnati, of Butler in St. Louis, of the Flinn-McGee combination in Pittsburg. The millionaire boss has arisen, not through petty graft, nor through the spoils system, nor even through contracts with the city. His political dominion, as well as his wealth has come through an alliance with big business in the form of franchises and tax evasions.

The struggle for franchise grants is the underlying issue in every election in New York, Philadelphia, Pittsburg, Cincinnati, Cleveland, Toledo, Chicago, St. Louis, Denver, and every other large city that I know.

It is disguised under party names, and is skillfully made to assume misleading issues. But the real motive is a business one. The business enterprises are grouped about the franchise companies.

No satisfactory data are available for determining the value of such franchises. Here and there incomplete semi-official investigations have been made. From these investigations it appears that the value of such privileges is almost fabulous. The franchises of New York are estimated to be worth \$450,000,000. In 1903 they were appraised for taxation at \$235,184,325. In the city of Toledo, Ohio, \$23,000,000 of stock and bonds were issued upon a street railway system whose physical value was not in excess of \$5,000,000 and whose franchises begin to expire in 1910. Some years ago the value of the physical property of the seven traction companies in the city of Chicago was appraised at \$44,932,011. The then market value of the securities issued upon these franchises, a considerable portion of which have already expired, many of which are in litigation, and all of which are under danger of condemnation by the city, amounted to \$120,235,539. Mr. Clarence Darrow has estimated the value of the stock and bonds upon the street railways of the city alone, at \$150,000,000, measured by the rate of dividends, and the total amount of the tangible property at very much less than \$35,000,000.<sup>1</sup> The franchises of the traction companies alone, therefore, are worth in excess of \$115,000,000. This is more than three times the total bonded indebtedness of the city. It is this treasure that the city is fighting for, and has been for ten years.

<sup>1</sup> The Chicago traction question, *International Quarterly*, October, 1905.

It is these privileges that men gamble for. The cards are the parties, the winnings are franchises, and the stakes which are played are our institutions. It is this that invites corruption. The power of Tammany Hall comes almost exclusively from the public service corporations. They are the real enemies of reform. The same is true of Philadelphia, as it is of almost every large city in the country. The means employed are bribery, party tyranny, campaign contributions, and public sentiment, as made by the agencies controlled by privileged interests. Even the tax evasions are of imperial proportions. Prior to the passage of the Ford Franchise Bill they amounted to over \$3,000,000 a year in New York City alone. But the evil influence of privilege is not confined to the city. It extends to the state at large. It is necessary to control the assembly in order to prevent adverse legislation, to control taxation, to prevent municipal ownership. This necessitates constant interference in state affairs. In many states it has involved the election to the United States Senate of discredited men. From this point of vantage, privilege is able to make use of the party machinery, and through federal patronage to control the primaries and conventions. Thus it is that the entire system of government is corrupted. For as the big business interests are driven out of the city, they retreat to the state, and from the state ascend to the Capital at Washington.

But positive corruption is not all. This is but a fraction of the price we pay. The unseen influences are equally bad. The persistence of party allegiance is largely traceable to the voice of privilege, which, controlling the press and the agencies of expression, make

use of obsolete party claims for the obstruction of independent voting. Independence in local affairs would be easy of achievement were it not for the campaign contributions and class spirit, which are involved wherever franchise interests are at stake.

It is this fact that deprives reform of the best talent of the community. Interwoven as privilege is with banking and business interests, with the bench and the bar, the press and the pulpit, city administration is bereft of those most competent to carry it on. Democracy is deprived of its natural leaders. For the stockholder, the banker, the lawyer, and the well-to-do classes generally find their patriotism and their pocket at war. In consequence it is almost impossible to enlist these classes in any reform movement.

The extent to which this is true was seen in the recent uprising in Philadelphia. In spite of the aroused public sentiment, the committee was forced to admit, in its humiliation, that in all the vast city of Philadelphia it was difficult to secure one first-class lawyer who would permit himself to be retained by the people.

It is this that has forced democracy to find its leaders among men whose previous training is adequate for the large issues of municipal administration. And we cannot reclaim the better-to-do class to public affairs until we unite its purse with its civic interest. We cannot hope for good government while the prizes of life are to be gained in antagonism to good government. Reform is not retarded by the unwillingness of democracy to accept it; it is palsied by the alienation of those best fitted to serve the community. I am convinced that thousands of men would gladly serve their city were their talents free from allegiance with private interests.

Such service can only be secured through a change in our attitude of mind. The program of bettering politics by bettering men is only possible when the desire for commercial gain and the fear of social ostracism is lifted from men's minds. And this can be most readily achieved through municipal ownership.

Public control of private monopoly is the only alternative to public ownership. Competition has everywhere failed, and of necessity will continue to fail. It inevitably results in combination. Under a policy of regulation, the power must be lodged either with the city or the state, with the town council or in a supervisory commission. Both policies have already been extensively tried. For years our cities have endeavored to correct the abuses of excessive charges and indifferent service. It is this that produces corruption. It is not only the desire for franchises; it is the necessity of being free from interference that keeps the franchise corporation in politics even after a franchise has been secured. Tax officials must be controlled, aldermen, directors of public works, and mayors must be restrained. There are constant extensions to be obtained, together with permits for street openings, while bad service must not be interfered with. It is the policy of regulation that explains the persistent influence of franchise interests in local politics.

But even were this not true, regulation is practically impossible. The award of a commission, the decision of the council, is but the beginning of a contest. It is then transferred from the city to the courts, with all their vexatious delays. Litigation may be prolonged for years, and the probability is strong that the attempted regulation will be found to be unconstitutional. In the

city of Cleveland a controversy with the street railway company was prolonged for years. The city now has a half-dozen cases in the courts. In Detroit, Milwaukee and Indianapolis efforts to reduce street railway fares was carried into the federal courts, and their determination long delayed. In each one of these instances the courts decided that the regulation was in violation of some vested right or privilege.

The alternative of state, as opposed to municipal regulation, has been tried in Massachusetts. A similar law was recently passed in New York. Such measures but shift the controversy from the city to the state, from the council to the legislature. In the choice of members of the commission the franchise interests always manage to make their voices heard. In commenting upon the law of the latter state creating the gas and electric commission, the *Citizens' Union* of New York City said :

"Moreover the commission is likely in years to come to prove merely political, and will probably become a safeguard to the corporation rather than a protection to the public."

A score of states have vainly attempted to regulate the railways. The opponents of federal railway control are to-day pointing to the failures of such attempts, as well as of the Interstate Commerce Commission, as a reason why further regulation is futile. For twenty years regulation by city, state, and nation has been attempted with such a general confession of failure that in any other matter we would be ready to admit its futility.

As a matter of fact, regulation is impossible. It involves dual control. The community is ignorant of the company's conditions, and has no means of enforcing its



authority. The conflict of interest is so great that the most insignificant demands are only conceded after an exhausting contest. Moreover, only by experiment can the city determine what can be done. And monopoly dares not experiment. Monopoly is always indolent. It is always unwilling to move. Its stock-jobbing interests have become paramount to its industrial functions. For this reason it cannot permit any public regulation nor experiment of its own volition, because of the fear of disturbing the value of its securities, which have become the best of banking collateral. It is this fact more than any other that explains the reactionary attitude of monopoly interests. Their industrial functions have become subordinate to their stock-jobbing possibilities.

Even in Great Britain, where the street railway, gas, electric lighting and telephone undertakings are subject to a supervision which is most careful and exacting, regulation has been abandoned for ownership. Parliament has protected the public in every way. Rates of fare, prices for gas and electricity have been fixed by law; the method of construction is supervised, as is the service to the community. Annual reports are required to be published, and the Board of Trade and Local Government Board have ample powers of investigation. Even with such oversight, the tramways, electricity and water supplies have been all but universally taken over by the cities, while 250 gas plants have been either acquired from private companies or erected by the towns. All over the United Kingdom (in the face of the most perfectly adjusted system of regulation) private ownership is being abandoned.

The alternative, with us, is not public regulation or public ownership; it is unregulated private monopoly or public ownership.

As to many of these things most men will agree. The showing of public ownership in water and markets, and to a considerable extent in gas and electricity, is at least creditable. The indictment of privilege, of the franchise corporation, of big business has gone unchallenged. The condition of our cities—on the one hand, unorganized democracy; on the other, the natural leaders fighting for the control of the city, oftentimes unconscious of the cause of the alignment—is a condition too universal to be questioned. And the failures of regulation, like the Blue Laws of our cities, fill the statute books of our state.

The question to be considered is, are conditions due to ignorance, indifference, and inherent defects of popular government, or are they the natural and inevitable consequences of an industrial policy? Is correction to come through better men or better institutions? Is the evil personal, or is it economic? Is relief to be found through wiser franchises and further regulation, or by the destruction of privilege, and the removal of temptation through public ownership and operation? Some of the gains of ownership are certain, some are merely conjectural. It is necessary to measure the cost as well as the gain.

There can be no question but that municipal ownership will remove the most tempting stakes from the public gaming-table. It will take the big privileges out of city politics. It will free the city from class antagonism, and relieve reform of its heaviest burden. Under municipal ownership there will be no readily organized class wanting bad government. This union of all classes for good government is habitually ignored in the discussion of the question. But it is the biggest

factor in the case. Today the influential classes, the classes which combine the talent and the influence, the classes which control the press and public opinion, are either actively engaged in promoting bad government, or are hostile to reform. Under municipal ownership they will be free to work for the city. The press will be ready to criticise. A contest for good government will be substituted for a contest for privilege. Under municipal ownership unorganized democracy will be allied with intelligent leadership. And no corrupt administration could long maintain itself in office against such a coalition. Today reform movements are conspicuously wanting in big business and professional men. There is an antagonism between their citizenship and their business. Moreover, with the franchise question removed, the so-called respectable element would be free to enter politics; free to enter the council; free to serve the city's interest; free to work for good government. We cannot possibly measure this gain. Our entire political system is poisoned by the present conflict of interest. With this conflict removed, the schism which now divides our communities will be removed, and the very motives which now ally the talent of the city with bad government will then identify it with good government.

There would still remain the private contractor and the spoils system. Many persons otherwise ready for municipal ownership are fearful of the municipal employee. Mr. Robert G. Monroe, speaking of the spoils system in New York says:

"Neither has New York's municipal water supply proved a political menace. Surely to-day it is neither a pregnant source of official corruption nor a potent

adjunct to any political machine. Under the civil service laws, municipal employees are practically less subject to political control than the employees of the average public service corporation, which is constantly compelled to make and give places to political workers."<sup>1</sup>

This statement will be corroborated by almost any one familiar with the average city. Is it possible for us to compare the water supply, which the city owns, with the gas and street railway system, which it does not own? We can judge for ourselves which is more active in politics; which maintains the lobby in the council chamber and at the legislature; which divides the community and contributes to campaign funds.

It is possible that we have shifted the emphasis in our efforts for the merit system. We have insisted that civil service reform should precede public ownership; that the spoilsmen must first be exiled before democracy can be trusted with further undertakings. As a matter of fact, the spoils system is a symptom of other conditions. It is a result and not a cause of bad government. It persists because of the abstention of the city from big enterprises. It is a result of economic causes, not of democracy.

Under public ownership the spoils system could not long remain. All classes would unite in demanding its abolition. We would not tolerate the sacrifice of our comfort and convenience from official rotation. This is the history of Civil Service Reform in the Federal Service, as well as in the police and fire departments of

<sup>1</sup> Light and water service in New York, *The International Quarterly*, October, 1905, p. 33.

our cities. No administration could long defy public opinion which sought thus to perpetuate itself in office. It would be subject to hourly inspection. It would be under constant surveillance. Even with all of the big services municipalized, the public employees would not equal ten per cent. of the voting population. And no administration would dare to sacrifice the convenience or safety of the public undertakings. We have seen this in New York where, even during the worst years of the Tammany régime, the railways of the Brooklyn Bridge were free from the spoilsmen. Under municipal ownership all classes would be able to protest effectively at the polls.

Nor is this all. Under municipal ownership a co-ordinated administration of public affairs would be possible. Transit, water, gas, electricity, and power could be supplied with a single purpose of promoting the public convenience. A single agency would control the streets. Far-sighted construction work could be laid out. Subways could be built to serve a variety of purposes. The city's growth could be anticipated with the wisdom of a contractor erecting a building. There would then be no conflict of interests. An example of this is seen in the new King's Way, laid out by the London County Council from Southampton Row to the Strand. It was built from the bottom up. Subways for the street railways underlie the center of the street, while on either side sewers and immense conduits were built for taking care of water, gas, electricity, telephones and other services.

But the great gain from municipal ownership is a communal one. A conscious city policy would then be possible. The problem of the slums would be open to

correction if not cure. A far-sighted program of transit would enable the city to disperse its population into the country and provide it with rapid and easy access to work. A similar program would be possible in water, gas, electric light and power. Public convenience could be promoted through the substitution of gas and electricity for heating and power. The condition of the poor would be improved and the morals of the city generally elevated. This has been the policy of the British city. Street railway fares have been greatly reduced. They now average in the neighborhood of  $2\frac{1}{2}$  cents, and oftentimes less. Gas is sold at from 40 to 70 cents per thousand cubic feet, while electricity is furnished at a price which makes it available to all classes. By the cheapening of these services the burdens of the very poor can be relieved. And it need not be argued that transit, light, and water have become primary necessities which must be satisfied before any other activity is possible. Next to rent, they are the heaviest item in the domestic budget.

We cannot have a conscious city policy until this is done; we cannot build and plan for an organized life. To-day all our strength and talent is devoted to protection. Our cities are in a state of armed resistance. In consequence all other issues and all other matters are, of necessity, pushed into the background. Nor can we plan a city with this dual control. We are as helpless as a builder whose elevators, plumbing, and lighting are in the hands of outside and hostile interests.

These are some of the gains. They are by-products of the greater gain which would follow from an awakened public interest. We have assumed that good government would come from little government; that the less

the city undertook, the better would be its performance. We have sought to improve the personal before we corrected the economic evils. We have reversed the rules of life in the discussion of this question. In my opinion, good government will come with more government. Efficient administration and honest administration will come when the city does so much for its people that their interest and affection will be awakened thereby.

A city with big interests will invite big men to serve it. Men of talent will not accept a post which is shorn of power. And under public ownership the big men will be free to enter politics. Today they are excluded by adverse pecuniary or class interests. They are alienated even from reform organizations. The banker and the broker, the bench and the bar, the press and the pulpit, all express a distrust of democracy, which is really a fear that their privileges will be endangered. Consider for a moment the change which would result in public opinion if the franchise corporations of New York and Chicago were in the hands of the city. From what source could corrupt funds come; from what section of the press would the machine be supported; from what class would the boss receive his approval; by whom would the party be divided? Then the press would demand honest and efficient administration with one voice; the big financial interests would throw their backing to the Citizen's Union and the Municipal Voter's League; the East Side would have as its ally Wall Street and the press. Organized class antagonism would tend to disappear, for no interest would remain, save the criminal class and the spoilsmen, whose interest was antagonistic to good government. Reform would become popular. The model character would come in as a matter



of course. The spoils system would find difficulty in surviving a single session of the legislature. Other departments of the city would be toned up, for even the schools, the libraries, the parks, the public health and fire departments are sacrificed through the organization which is maintained for the control of the other departments of the government. This is the testimony of Great Britain. The renaissance of her local government is said to date from the big undertakings which her cities have assumed.

Municipal ownership is, therefore, not an isolated issue. It is not a question of cheaper or better service; it is a question of self-government; of government by the people rather than government by privilege. It is but a cross-section of the same contest that is being waged at Washington; that has been disclosed in state after state and city after city. It is the struggle of democracy seeking to divorce itself from a privileged class.

## MUNICIPAL OWNERSHIP

WINTHROP M. DANIELS

The present is in many respects an opportune moment to enlist recruits under the banner of municipalization. The many recent exposures of criminal conspiracies of corporation managers and promoters who have long masqueraded as business men have fairly whetted the public appetite for municipal experimentation. Moreover one must be peculiarly slow of heart not to perceive that the air just now is vibrant with keen hopes of restoring to our democracy in city and state something of its original vigor. Among the exponents of this wholesome political reaction are found many who advocate municipal ownership and operation as the surest means of purifying our municipal politics. Whereas the plea for municipalization was formerly based on the ground of protecting the citizen's pocket; it is now urged as the only adequate guarantee of honesty in city politics. I desire merely to point out in passing that this plan of driving private corporations entirely out of city politics by entrusting to the city the direct administration of public service enterprises is a remedy whose logical application reaches far beyond the municipal domain. The possible betrayal of the public interest is not confined to the corrupt grants of franchises by city governments. Not a tariff measure is framed by Congress, not an appropriation bill is passed, not a contract is awarded by federal, state, or local governments where the same possibility of evil does not lurk. A consistent extension of this doctrine would charge these branches of the government with an infin-

itude of industrial tasks, to preclude the chance that they may violate their trusts at the instigation of dishonest corporations.

I do not deny the transcendent importance of the political phase of this issue, if once its necessity is convincingly established. But pending a decision upon the political issue, I desire to signalize the far-reaching character of the economic aspect of the case. There can be no doubt that when a city undertakes an industrial enterprise, the financial test of its affording the service at a self-sustaining price is a narrow—in some instances even a misleading—test of the success of the experiment. Without subscribing to the paradox that “the desirability of municipal trading is actually in inverse ratio to its commercial profitableness,” there is much truth in the other contention that “the balance sheet of a city’s welfare cannot be stated in figures,”—or in figures alone. The character of the service rendered, the comparative price at which it is furnished, the prompt suiting of service to the changing needs of the people, the prompt introduction of improved material apparatus, and the search for new expedients, to say nothing of the wider range of healthful social changes, if any, must all be weighed in balances with other weights than dollars. But granting all this, I still contend that our somewhat matter-of-fact electorate will wisely insist on attaching primary importance to this consideration:—is the city able to render equally efficient service as a private corporation at a really self-sustaining price lower than can be expected from the private corporation? That this is the first and most serious question with the reflective American citizen is handsomely exemplified in my opponent’s recent book, “The city, the hope of democ-

racy." After his enlivening analysis of the cause of our political ills, he discovers in municipal ownership the way out, and thereafter immediately entitles his next chapter "Does municipal ownership pay?" It is to a consideration of the evidence on this point that I would direct attention.

When we remember that the whole urban population, and not any special class of that population, is our client; that the industrial functions to be assumed are not the hereditary functions of civil government; that the investment to be made will reach literally into the thousands of millions; and that ill-success will be registered in heavier taxes and damaged public credit, a very strong preponderance of evidence ought to be forthcoming that such enterprises will pay before we advise the assumption of the risk. What is the character of the evidence offered in support of this claim? My opponent, in the chapter previously mentioned, is content to rest his case for the financial success of municipal trading upon the experience of Great Britain, and chiefly upon the statistics of municipal trading collected by the Local Government Board. It is manifestly impossible within the limits of this paper to attempt anything like a thorough-going analysis of the evidence in question. But certain broad aspects of the matter are indisputable. In the first place the evidence, especially of the statistics compiled by the Local Government Board, has failed to convince a considerable number of careful inquirers that municipal trading in Great Britain has been a success even from the narrow financial standpoint. The margin of apparent profit in the aggregate has been so narrow on the capital investment as to leave it a disputable point whether, with adequate allowance for de-

preciation, any real financial profit whatever has emerged. Major Leonard Darwin in his analysis of the average returns made by Reproductive Undertakings to the Local Government Board for the four years ending March 31, 1902, estimates that on gas-works, as yet the most profitable branch of such undertakings, municipalities should expect to make a profit on new municipal gas works of a little over one-half per cent. for thirty-two years, and 5.4 per cent. for ever afterwards." (*Municipal Trading*, p. 216.) And his final conclusion as to the direct financial results of municipal trading is "that the net result to the nation will be neither a considerable financial loss nor a considerable financial gain." (p. 283.) The British evidence is clearly disputable. In the second place the reliability of the statistical data has been and is seriously questioned. The Joint Select Committee of the Lords and Commons in their Report of 1903 declare that so far as all County Councils, London Borough Councils, and Urban District Councils are concerned (all of them subject to the Local Government Board audit) that "the auditors are not accountants, and are not, in the opinion of the committee, properly qualified to discharge the duties which should devolve upon them." The findings of the committee as well as its recommendations as to a more accurate auditing system go far to discredit any undue reliance upon the returns.

Moreover there is no evidence to substantiate the allegation that municipal trading has, as a general thing, lessened the burden of local taxation in England. It is to be conceded that in particular instances, profits from municipal trading have been turned over in aid of the rates. But the careful statistical inquiry of Miss Alice Lee, an abstract of which was published in Vol. XIII of

the *Economic Journal*, stands as yet to the best of my knowledge unrefuted, that "the increase of loans for remunerative public works is associated with an increase of rates,"—be the connection causal or not,—and that at the present time municipal trade has no very material effect on municipal taxation in England. That this is the case would seem to be corroborated by Mr. Bernard Shaw's significant contention that "the relief of the ratepayer, whose burdens are heavy enough to crush all enthusiasm for municipal schemes that threaten to raise the rates, should be accompanied by taxation of income, heavily graduated and differentiated against unearned income." (Municipal Trading, p. 99.)

It is perfectly true that in certain cases municipal industries in particular cities appear beyond question to be eminently successful. The Glasgow and Liverpool tramway systems may serve as good examples, and many others there doubtless are. But to offer British experience as evidence of a strong balance of probability in favor of the financial success of municipal trading in this country is to blink the fact that the British statistical data now available are largely the reports of town governments desirous of making a good financial showing, whose accuracy is fairly questionable. It is to blink the fact that the narrow margin of presumptive profit shown even by these data has not proved convincing to many careful investigators in England; it is to blink the fact that hitherto municipal trading has produced no general lessening of municipal rates in England; and finally it is to neglect the manifold differences in municipal politics here and abroad.

As to whether it pays in this country to municipalize public service industries the testimony hitherto adduced,

whatever be its other qualities, does not lack for variety. We had first the roseate reports of the early explorers, the Marco Polo's and De Soto's, of this hitherto undiscovered country. Then followed the anathemas of the inquisition of mechanical and engineering experts. This early period of strife was not fruitless, for despite its failure to issue in agreement as to the main question, the mutual criticism of the contestants eliminated certain crudities of statistical comparison which had characterized both parties at the outset. The evidence was next overhauled by such higher critics as the expert accountants, whose verdicts when made public (for in many cases these examinations were made for private parties) failed to arbitrate the moot points to the satisfaction of both parties. Finally the government, and in particular the federal government, has undertaken comprehensive surveys of the field; particularly in the fourteenth annual report of the Commissioner of Labor (1899) upon water, gas, and electric light plants, and in the special reports just issued by the census bureau on central electric light and power stations and on street and electric railways.

Commissioner Wright in the preface to his report of 1899, while conceding that it does not settle conclusively the merits of the two systems of management—private and municipal—remarks significantly that the "facts disclosed" are "indicative and strongly so." I think I should not be unwilling to expend more time than I already have upon the brave columnar array of figures with which the report is crammed, if I felt sure that—once through the statistical morass—my feet would eventually rest upon solid ground. But the pledge of secrecy under which the data were



gathered makes concrete verification in the case of individual plants impossible. Moreover in this statistical Slough of Despond I have been mocked by certain Worldly Wisemen, in particular by two competent expert enquirers, one favoring and the other opposed to municipalization, who assure me that the absence of uniform and adequate accounting systems in plants public and private makes results based on this jumble of data meaningless. The recent bulletins of the census bureau are in many respects informing and excellent, but even the experts by whom the bulletins were compiled would, I feel sure, not claim that the facts disclosed or illuminated by their researches settle even remotely the disputed question of public versus private management.

Finally if further proof were required of the absence at present of satisfactory evidence in this matter, the recent resolution of the National Civic Federation to prosecute both in this country and abroad a detailed and thorough-going investigation into the subject may well be cited. This, or some future inquiry may establish the general financial success of municipal trading; but the character of the testimony at bar at present will justify no other than the Scotch verdict "not proven".

But while the evidence at hand is inconclusive on the main issue it is instructive and enlightening in important details. If I ventured to summarize a few of the points which seem to me least disputable I should recite the following:

1. Salaries for superintendence and managerial service no less than the opportunities offered for professional advancement, are less under municipal man-

agement than under corporate management: This, in my judgment tells against the economy of municipal operation. The higher pay which induces the Panama engineer to leave the government service for that of a private corporation, and the higher salary which attracts the master mind in the Glasgow transit system to Mr. Yerkes' employ are not paid for sentimental reasons. But public opinion will not as yet sanction the payment of similar sums to engineers on the public pay-roll.

2. Wages per unit of labor performed are greater under municipal than under corporate management—a point which, however gratifying in other respects, makes against economy of municipal management. Seeming exceptions to this rule as well as to the point first cited are well explained in the recent bulletin on central electric lighting stations.

3. Municipalities commonly borrow at rates slightly less than corporations can. But the reports of 635 municipal electric stations in this country show that their bonds bear on the average 4.5% interest whereas 795 private electric corporations reported an average of only 4.8% interest on their bonds. Moreover city bonds sold to equip public plants offer future taxes as a practical security, whereas corporate bonds rest solely on the property, the plant, and the prospects of the corporate enterprise.

4. The comparative cost of supplies, all things considered, is indeterminate. Standardized data are not as yet available to settle the matter.

5. Comparative prices for service, municipal and private, are, all things considered, indeterminate. I know that this will be challenged, but it is well to insist that any price comparison which is worth while is

a very complicated operation. My opponent in his recent book cites the average price charged by municipal gas plants in England as six cents per thousand feet less than the price set by private companies. But such an average *per se* is little more than meaningless until collateral evidence is scrutinized bearing on the average density of population served, the average price of coal, and many other factors.

Hitherto our argument has been wholly based on economic grounds, and has issued in wholly negative conclusions. That many municipalities in this country are likely to experiment with public ownership and operation there can be no doubt. That compromise devices may be hit upon, like the public ownership of subways in New York and Boston with corporate operation, which will afford the maximum public benefit obtainable is not at all unlikely. Our duty as economists is discharged when we give a true picture of results already attained and of the future risks involved. But if we may for a moment venture upon the province of politics, let us ask if there is no hopeful alternative to this plan of municipal ownership and operation for which the outlook on purely economic grounds is so sombre. If it were desired merely to prevent the corrupt disposal of franchises by the city legislature, even so crude a measure as the Cantor Act would suffice. This would auction off franchises, prescribing a certain minimum percentage of the gross receipts as the price to be paid by the company. But the possibilities of an enlightened franchise policy under an honest and capable city government go far beyond the prevention of the more flagrant forms of defrauding the public. I think there is good ground to believe that such a city government

could, by franchise provisions shrewdly drawn, secure from, public service corporations either in taxes or in abatement of prices a return commensurate with the fair value of the franchise grant, and could secure at the same time adequate service at a price that would yield nothing more than a fair profit to the companies. I venture to rest my hope on two facts; first on the fact that there is no necessary or causal connection between corporate operation under franchise and civic corruption. Those who ask us continually to admit the facts connected with British experience may well be faced with the question whether corporate corruption of city politics is found in those cities in Great Britain which do *not* have municipal trading? Is there any evidence that Darwin's statement is not true that "the corrupt influence of private companies on Municipal Governments is rarely exercised on this side of the Atlantic" (p. 132). My belief rests in the second place on the enlarged measure of success that has attended various efforts in this country to obtain more adequate compensation for franchise privileges, and more effective guarantee of efficient service. However much remains to be secured, there has been encouraging progress in this direction.

My opponent insists that an economic change in the direction of municipalization is the key to the purification of our politics. As a student of politics he finds the remedy for civic ills in an economic upheaval. In opposition to this claim I insist that the cure for our economic ills is to be found primarily in political reform. As I view the matter, there is no escape under a representative government from reposing responsibility in some person or persons. Let political responsi-

bility be undivided, and let it be located so clearly that concealment is impossible; let the task of cashiering the dishonest or the incapable administrator or legislator be stripped of all indirection or subterfuge, and reduced to the greatest simplicity possible, by a radical cut in the number of elective officials,—and the question of municipalization or a franchise policy becomes the comparatively simple question of the relative advantages of widening public control or of enlarging governmental administration.

## MUNICIPAL OWNERSHIP—DISCUSSION

LEO S. ROWE: At the outset of this discussion it is important to bear in mind that in the larger cities of the United States municipal ownership of the more important public utilities is a practical impossibility. The constitutional restrictions on local indebtedness close the door to condemnation proceedings for the purchase of street railways, gas and electric light plants. The difficulties of the situation have been greatly increased by the fact that so many perpetual franchise grants have been made. Where the grants are not perpetual, the situation is so uncertain that endless litigation would precede municipal ownership even if the city were financially able to take over the plant. How can New York hope to take over the transportation system with the enormous capitalization? Or again, how will it be possible to take over the gas and electric light works with their two hundred and fifty millions of capitalization? Philadelphia, which still owns its gas works, will probably be unable to terminate the lease in 1907, owing to the fact that the city has almost reached the constitutional debt limit.

It will require many years to convince the American people that the constitutional limitations on municipal borrowing power no longer serve the purpose for which they were originally intended and even threaten to become obstacles to further progress.

But even with all these difficulties eliminated the question still presents itself whether there is any assurance that the transportation, gas or electric light service will be as efficient under municipal as under

private management. However strong the indictment against American public service corporations may be, especially in their influence upon the civic life of our larger cities, everyone will agree that they have shown a readiness to make improvements in equipment and motive power which has inspired the respect and even aroused the admiration of unbiased foreign observers. These changes often involved a considerable sacrifice of invested capital, but no hesitancy was shown whenever an ultimate economy in operating expenses could thereby be effected.

It is open to serious question whether, with our present methods of municipal finance, the improvements in the street railway service would have been made with anything like the same rapidity under municipal control as under private management. Our limited experience with public management has shown that municipal industries are constantly subjected to the danger of deterioration consequent upon the failure adequately to provide for their maintenance and improvement. The desire of the city council to make a "good showing" means that each year must show a handsome profit even if this profit is secured at the expense of the technical equipment of the works. Every councilman knows that to the tax payer of our American communities the tax rate is the test of good government. If the tax rate is low, no matter how inefficient municipal services may be, the government is regarded as satisfactory. Political leaders are aware that an attempt to increase the rate is almost certain political suicide. Every possible device is used to create the impression that taxes are relatively low. Municipal enterprises, whatever their character, are



expected to contribute their share toward reducing taxation; indeed the pressure on the city authorities is usually so great that where no net profits are forthcoming the accounts are so manipulated as to show fictitious profits. If there is the slightest danger of an increase in the tax rate the temptation of the council to use for general city purposes the amounts that should be assigned to renewal, repairs, and depreciation, is irresistible. The history of the Philadelphia gas works is a striking example of the dangers involved in this attitude of the council. The condition of the gas works at the close of the period of municipal operation was not due so much to technical mismanagement as to the failure of the council to make proper provision for repair and removal.

Furthermore, in the management of industries which are undergoing such rapid changes as the transportation system, the gas and electric light services, the public authorities must be prepared at any time to make a complete change in equipment involving the destruction of a large amount of invested capital. An elective council, subject to the constant pressure of the tax payer, must be prepared to bear all the criticism and assume all the responsibility for an increase in the city's indebtedness and a corresponding rise in interest and liquidation charges. Although these changes involve not only an improvement in service but an ultimate economy in operating expense, the immediate responsibility falls on councilmen elected for one or two years during whose term none of the economies will appear. They stand, therefore, under the cloud of this large expenditure without the offset of a corresponding benefit.

We can have no assurance of efficient management of public industries until our system of municipal finance has been made more elastic. Furthermore, the taxpayer must be made to appreciate the necessity of being guided by the same business principles in the technical management of municipal industries as in those managed by private companies. Until this change is made we must squarely face the fact that both the efficiency of service and the rate of improvement will be considerably less satisfactory under municipal management than under our present system.

If, therefore, the American people decide to embark upon municipal operation of public utilities, they do so with a clear appreciation of the requisites for success. Failure to observe the fundamental principles of business management will not only lead to financial disaster but to irreparable injury to the progressive development of our city life.

JOHN A. FAIRLIE: Mr. Howe's paper begins by announcing his belief that the problems of municipal government are primarily economic, while the bulk of his discussion is on the political aspects. He sets forth municipal ownership as a problem of national politics, whereas it has been the belief of reformers that municipal government should be kept, so far as possible, distinct from the national.

I mistrust Mr. Howe's belief that municipal ownership offers something like a panacea for municipal corruption. Evils do exist due to the control of certain capitalistic classes over the city government; and class rule always will be a democracy's danger. Municipal ownership may eliminate part of this danger, but, it

seems to me it will rather increase the danger from the criminal class. For these reasons the political discussion does not carry the full weight that Mr. Howe would give it.

The figures that Mr. Howe presents on the economic question should be analyzed more carefully. It is important to know whether the cost is paid out of earnings or by tax payers. My own investigations have led to the conclusion that in most cases American citizens have been moderately successful in the management of water works and lighting plants. I find very few cases where successes have been very marked or where there have been any serious failures.

I find myself in accord with what I take to be the main conclusion of Mr. Daniel's paper, that the case for municipal ownership is "not proven."

But in one or two points his attitude is more averse to municipal ownership than my own. The fact that the proposed municipal industries are or are not in accord with the historic activities of municipal government is a matter of interest, but the conclusion is not very important either way. The proposed municipal problems are however in accord with what were the oldest municipal functions. The old municipalities maintained markets, docks and wharves, and even their courts were self-sustaining institutions. The great municipal activities of to-day, supported by taxation, are of modern development.

The interest paid by the municipality on bonds for public services represents the whole return to capital; the interest on bonds paid by the private company, is but part of the return to capital. There must also be considered the dividends on stock, which is frequently

largely watered. The question is: "What is the difference between the whole return to capital under municipal and private ownership?" And here we are again forced to give the verdict, "not proven." Until the private corporations put their accounts into such shape that we can know what they invest we cannot be in a position to compare the financial results of city management with private management. My own impression is that the difference is rather more in favor of municipal management than Mr. Daniels pointed out.

The practical issue for the future is between municipally controlled private management and a limited sort of municipal ownership. Municipalities have not the funds in hand, and those who furnish them must have their property rights protected. Cities should not be authorized to borrow at the risk of the taxpayers; but they should be authorized to borrow in the same way private corporations borrow, by issuing bonds on the proposed works, such as the proposed street railway certificates in Chicago. If a city government is in bad hands it will find difficulty in floating bonds of this kind; if its management proves a failure, the bondholders will step in and take possession and the municipal management will cease. My own position is that it would be well for some cities to experiment in that way, and until we have further experimentation we cannot make any general dogmatic assertion either in favor of or against municipal ownership in this country.

MILO R. MALTBIE: The point has been made, regarding municipal ownership in Great Britain, that depreciation charges are entirely too low. But nothing is said about sinking funds and the security they give.

For municipal plants, after paying operating expenses, fixed charges, taxes, etc., (all plants in Great Britain pay taxes), the municipalities provide a sinking fund. Now if you provide a sinking fund which will pay off the bonds when the works for which these bonds have been issued cease to be of value, you have met depreciation. What reason is there for a depreciation fund in addition? But a great many plants in addition carry a depreciation fund, to be upon the safe side. To speak of this fund and call it inadequate, without considering sinking funds and the annual expenditures for maintenance and repairs, is unsound.

There are two or three reasons why public supervision is not likely to bring about the results sometimes claimed. You are dealing with industries that are not competitive. There are not more than ten or fifteen cities in the United States in which there are gas works supplying the same areas, and even in these cities there is seldom any genuine competition because these companies have districted the city or come to an agreement. The same is true of electric lighting. In the case of street railways, there are sometimes several companies; but the competition idea is on the wane and rapidly giving way to monopoly.

To this fact New York is witness. The surface roads, elevated roads, and underground roads of Manhattan are all in control of one group of men; and competition has been eliminated from the field of urban transportation. The gas and electric light plants—two industries which ordinarily are competitive—are now under one control. Can this situation be met by a policy of public regulation—a policy based upon the theory of competition? Suppose a franchise is put up at auction and

the highest bidder gets it. The experience of New York shows that this suggested remedy is not successful. In one case they began with offers of moderate compensation, but ran up until they reached one hundred per cent of the gross receipts. This was not enough, and they ran up to several hundreds, with a final award to one company. The matter was carried to the courts, and the courts said, "You cannot pay more than one hundred per cent"; so the company who first bid one hundred per cent got the franchise. Did it build the railway? No! The franchise was laid away in its vaults, and was not operated for years, not until an arrangement was made with the city whereby a certain small percentage of the receipts was substituted for the 100 per cent.

If an important street railway franchise in the heart of the city of New York were auctioned today, who would bid for it? It can be of little use to an independent company; consequently the only persons interested enough to pay anything for it, are those who now control the entire transit situation on Manhattan Island, and these persons can give just what they please. No one is able to compete, and the city must take what they are willing to give.

Suppose we have some other systems of supervision and regulation. How are we to compel the company to come to our terms? The best system of regulation that has been yet provided (that in England in the gas industry) provides, among other things, for a limited dividend and a limited price, and an increase of the dividend as the price decreases, known as the sliding scale. It works well in the beginning; but after one generation has passed, the industry has been revolu-

tionized, the terms become unsuited to the new conditions, and the interests of the public go without adequate safeguard.

They tried in Toronto what they thought an excellent system. What was the result? Litigation from the time it was put in force to the present; and yet they cannot make the companies live up to the requirements of the grants.

J. DORSEY FOREST: Like Mr. Daniels, I think it very desirable not to introduce a quibble on the distinction between municipal ownership and municipal management; yet the distinction may sometimes be quite important. When we are aiming at municipal ownership and management, we desire two things: one to conserve to the public the unearned increment of the franchise which is granted, and the other to obtain good service. In almost all cases of American municipal management which have been commended, we find that the enterprises are of a character to require but little management; that is, we find that municipal ownership in these cases obtains for the city the value of the franchise, but does not entail a kind of management which our cities are not, at present, adapted to exercise. Mr. Daniels referred to the Cincinnati Southern Railway, which presents none of the problems involved in our discussion. The same may be said of dock properties and market houses. These run themselves. They are very much simpler of management than gas and electric light plants or street railways. If we can obtain the results aimed at by those who advocate municipal ownership, without burdening our public authorities with tasks for which they are



not at present well fitted, the whole point will be gained.

Some seventeen years ago, the Indianapolis Gas Company had obtained certain natural gas rights and had brought the gas down to the city. It then attempted to hold the city up for a higher rate than that authorized in the franchise already granted. Public indignation was such that it was possible to finance and put into operation a popular company which agreed, among other things, to operate at a maximum of eight per cent. on the investment; and, after returning the principal invested by private capital to the owners of that capital, to furnish gas at cost. About the time that the principal was returned to the investors, natural gas failed; and thus the experiment did not receive a complete trial. Nevertheless, the amount saved to consumers by this independent company was several millions of dollars; and on the financial side the enterprise was abundantly successful. The full eight per cent. dividends were paid; the par of the stock was returned in full; since the company has been put into a liquidation the stockholders have received a dividend of forty per cent.; and they will receive an additional dividend of fifty or sixty per cent. within the next few months. On account of a technical error in the original charter of the company, the courts restrained it from supplying artificial gas at cost (as its directors desired to do) and ordered it to wind up its affairs.

Since that decision, certain public-spirited men in Indianapolis have formed a new corporation to take over the property under an option held by the city and transferred to this new company. The franchise granted to these men provided for an operating com-

pany which will acquire the existing pipe-lines, construct a modern plant, supply gas of high heat units but low candle-power at sixty cents per thousand cubic feet, pay a maximum dividend of ten per cent., return the par of the stock to the investors, and then transfer the whole system to the city. It may then be leased or directly operated, as conditions justify. Barring certain improbable court decisions, these results will surely be accomplished. Both a franchise and a valuable plant will revert to the city. Meanwhile, the consumers will receive cheap gas, and many small investors—who will be consumers—will have an opportunity to make a profitable investment.

ALBERT SHAW: I have never been an advocate of municipal ownership (though sometimes quoted as being one), and I have never been an opponent. In Germany, where municipal government is competent, it matters very little whether a private company puts up the capital and goes through the experimental stages of development of plants or whether the city itself is willing to finance the undertaking. There is competent engineering talent available in either case as well as sound business management. It is, however, always advantageous to have the opportunity of recourse from one method to another. It simply is a question whether or not under local circumstances it is better to grant to private or municipal management. In either case you are probably going to have an efficient situation in which no one forgets that the municipality will aim to dominate its public service.

In England it seems to me the financial discussion at the present time of what is called municipal trading is

a little to one side of the real question. The English cities have got to be studied historically. They had fallen into a frightful state of unsanitation. It was the death rate and the horrid condition of women and children, inadequate homes, the wretched condition of slumdom that England and Scotland confronted.

Good and capable and practical, but not imaginative, business men took hold of the matter. They wrought under the direction of health officials. Municipal water became a necessity for health. The supply of light deserved consideration. The communities determined to regenerate themselves. In that process of regeneration they resorted very largely to municipal ownership of lighting plants with success.

In our country we are confronted with such facts as Mr. Howe set forth,—the tying up and domination of our municipal corporations by immensely powerful private companies. Charter limitations have been created which embarrass municipalities in their attempt to render to the community ordinary and necessary functions. And now there is a rebellion to emancipate the municipal corporation and to give it a chance to do what it desires to be for the welfare of its people. The people of this country are gradually determining that the municipal corporation must at least dominate its own services, whether through the supervision or control of private companies held well in check, chartered in order to render public services belonging to the people, or whether the people are to find, in order to maintain favorable conditions they must undertake these things directly. We are in a seething process of experiment from one end of the country to the other. I wish these experiments good luck. I know that ex-

periments here and there honestly conducted by efficient men are bound to act favorably upon public opinion.

JEREMIAH W. JENKS: Personally I welcome the tendency toward municipal ownership and operation, but largely for the reason that Dr. Shaw has just given. It is extremely important that we get much more experimental knowledge than we have now. We can get that best through having a good many of our municipalities in different situations make the attempt. The political and economic conditions in different cities are so varied that in some cases municipal ownership and operation may be successful, in others it is likely to prove a failure. From experiments made in different places we shall learn what conditions will produce successful ownership and operation and what will lead to failure.

It seems to be the assumption on the part of most people who favor municipal ownership that thereby we shall very largely escape political corruption. But the question of political corruption is a matter of human nature rather than of form of government. The people who take the lead in politics and in business, the dominating personalities, are few. Most of us are mere followers. The very strong men now are largely in the employ of our so-called municipal monopolies. It is not going to change the personnel very much if we adopt municipal ownership. We shall have the same men as leaders. The people who are dominating now are going to dominate then, and if their interests and motives are selfish then as they are now we shall have the municipality through its government used for the benefit of private individuals as now it is used by private corporations. We should always

try to get the dominating personalities working in the interest of the public, but we are not to assume they will do so simply because we put them into office. We have sometimes had them when holding office use the funds of the treasury for their own private interests. We should see to it that the public in general knows its own interests, its own wishes, so well that it shall compel these dominating personalities, whether in the employ of the city or of a private corporation, to work in the interest of the public.

RICHARD T. ELY: I want to call attention to the difficulties in the way of control which are of a personal nature. In some respects control is easier in a large city than in a small city; in other respects more difficult. Now what does control mean? In a city of twenty-five thousand inhabitants, let us say a city like the one in which I now live, Madison, let us suppose I want to take active part in municipal government, and that we have a system of private electric light or gas company which is to be controlled. The electric light plant is not merely an impersonal thing. We say "a plant", "a company", "a corporation", but it may mean that I am to put myself against a man who sits opposite me in church, who has been very kind to me, perhaps is the god-father of my little boy. Now it is easy to say you must not have any regard to personal considerations: you must fight your own father or your father-in-law, your brother, or your brother-in-law. But this means engaging in perpetual controversy with people among whom you live, with whom you are thrown, and upon whom you are dependent. It is rather serious when you put it that way. I do not say you should not do it, I do not say we should not all be of heroic mold.

Now you may say if it is proposed to municipalize one of these plants, you must also engage in controversy with personal friends. If it is a question of purchase it is a fight. It is a test for all. I take off my coat and fight with my friends for six months. The relations may be strained, but afterwards we hope we can restore them.

But when it comes to control, day after day, year after year, to be engaged in controversy with men with whom you have ties of all sorts it is a serious matter. In larger cities such questions have a less personal nature (I do not say they have none) than in cities of smaller size. I would like people to think what control means, not in the abstract alone, but in the concrete.

F. B. THURBER : There are two sides to most questions and municipal ownership is no exception to this. There are situations in countries having a different form of government from ours, where graft is not an epidemic disease, and where public ownership and operation may be successful, but even there opinions differ. In Great Britain it has run its course and there is a reaction in public opinion against municipal trading, as it is called there, just at a time when many well-meaning persons in this country, as well as the professional socialists and the yellow journals are advocating it here.

In a country with universal suffrage it is desirable to limit the number of public officials to the smallest possible number for political reasons ; and there are also economic reasons which apply especially to lighting, traction and other public service corporations which are large buyers of materials, employ large numbers of persons, and require a high order of administrative

ability; indeed water, a natural product, which runs down hill and is distributed with a minimum of labor and expense, is about the only public necessity justifying public ownership in this country, and even in this there are exceptions.

Nothing can be truer as a rule than "public ownership waste exceeds corporate profit"; supplement this with the even more important political consideration and thoughtful citizens may well hesitate to favor the present socialistic fad of municipal ownership. Of course its advocates play upon prejudice and claim economies for public ownership which do not exist.

Public officials where municipal plants have been established are naturally interested in making a good showing and holding their easy jobs; in many instances their bookkeeping omits interest, taxes, depreciation, sinking fund for renewals or improvements, and other items which a private corporation must recognize. The tax-payer is a convenient beast of burden upon which to unload deficits and he in turn unloads it on rent-payers where he can. Under public ownership new inventions, improvements, and extensions are ignored. Under private ownership the best professional talent is employed at salaries unheard of in public employment, and all these improvements are at once utilized, giving the public an up-to-date service.

Individual initiative and energy, coupled with the coöperation of many small partners in corporations has made this country great and I cannot believe that the socialistic propaganda will prevail if the facts are properly presented to the jury of American public opinion.



## THE QUANTITATIVE STUDY OF THE LABOR MOVEMENT

H. W. FARNAM

The United States has taken an enviable position among the nations of the world in the field of labor statistics. It has set others an example in the establishment of separate bureaus for the collection of such statistics, and it is particularly rich in statistics of strikes and lockouts. Our observations on these subjects cover a continuous period of twenty years from 1881 to 1900, and it is planned to continue the series and publish additional tables from time to time. No other country has so long a series of statistics on this subject collected in a uniform manner. Yet it must be confessed that these publications still leave something to be desired, and I shall endeavor briefly to point out two particulars in which they might, in my judgment, be made much more effective than they are.

Strike statistics are not published as light reading. They must be intended to give us a clearer insight into the labor movement than can be gained by casual observation, by reading the newspapers, or even by reading the utterances of the organs of trade unions or employers' associations. And the most important questions which they may be reasonably expected to answer must be First, what is the general tendency of these disturbances, are they increasing or diminishing, and, if they fluctuate from time to time, do their fluctuations bear any relation to other economic phenomena, especially the prosperity of business, prices, wages, unemployment, etc.? Secondly, what can we learn of

their causes or motives? For without this knowledge we can at best establish concomitant variations, we cannot convincingly say why these disturbances follow or precede certain other phenomena. Now the Bureau of Labor publishes very full statistics on both of these topics, and yet they do not give one who endeavors to study them carefully any very satisfactory answer to either question. The reason is that there seems to be no one index by which the magnitude of labor disturbances can be gaged, and no such grouping of causes as to give the reader a clear conception of what they mean. I shall, therefore, consider first the general measurement of labor disturbances, and secondly the analysis and grouping of causes.

In the sixteenth annual report of the Department of Labor in Washington, there appear to be four distinct modes by which the severity of labor disturbances may be measured: (1) the number of strikes and lockouts; (2) the number of establishments concerned; (3) the number of employees involved; (4) the pecuniary loss, either to employees through lack of wages, or to employers through lack of business. Which, if any, of these four standards is the best?

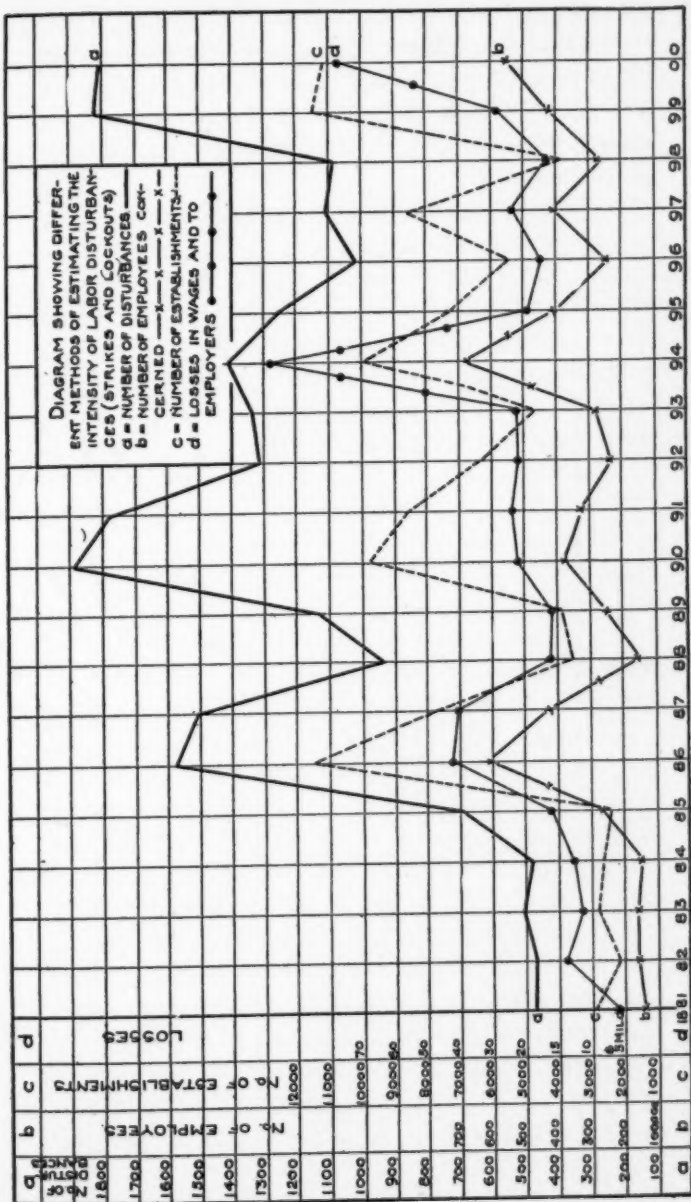
(1) To count merely the number of strikes and lockouts is obviously to look only at the surface. It is as if we were to measure the progress of railroading in our country by counting the number of railroad companies at different times; or to measure the severity of a war by counting the number of battles. It may be claimed that no harm comes from this method, since big and small strikes are apt to occur mixed, and that the change from year to year will indicate the real change in the severity of the disturbance; but in point

of fact the mere number of disturbances must tend to fall in proportion to their importance as labor organizations increase their amalgamating powers and embrace a larger number of establishments and of workers in one movement.

(2) To count the establishments would seem to give us a better view of the situation; but here again, as capital tends to be concentrated, the number of establishments involved might grow less, even though the number of strikers might grow larger.

(3) To count the number of employees concerned would, therefore, seem to be still better, whether we regard the disturbance from the point of view of its causes or of its effects. If we look at the causes, the movement of a large number of men, whether in one or many establishments, would indicate a more general and serious cause than that of a small number, while the consequence in loss of wages and stoppage of trade would also be greater. And yet this measure, too, is faulty, in that it takes no account of time. A strike of a thousand men would seem more important than that of a hundred, but if the former only lasts one day and the latter one hundred days, it would certainly count for much less in its effects upon business.

(4) To take the loss of wages seems still better, inasmuch as this involves both the element of men and of time. But it would tend to give more weight to strikes among the better paid workers, whereas, a strike of people earning small wages is apt to be more significant than a strike of those earning high wages, because carried on under greater difficulties, and, therefore, implying a more acute cause as well as more acute suffering. While all four of these methods are used in the general summaries of strikes, when the report comes



to the important matter of causes, it takes the establishment as its unit. This is certainly better than taking the strike, and yet, as shown above, it is not perfect.

If we now turn from this general consideration to the actual results as returned by the Bureau, we find, by plotting the strike statistics measured according to the four standards, certain general similarities, but also some differences which are important. These are shown in the diagram on page 163.

(1) Looking merely at the number of strikes and lockouts, and taking the period of twenty years from 1881 to 1900, we find five maximum points in the curve. Of these the two greatest, and they are about equal, occurred in 1890 and in 1899-1900, that is in years of general prosperity. But there is also a large upward turn for the years 1886 to 1887, which were years following a depression; and there were less important upward movements in 1894 and 1897.

(2) If we look at the number of establishments, we find again five upward movements, but they are nearly equal. The greatest is for the years 1899-1900; the next for the year 1886, but the years 1890, 1894 and 1897 show an almost equal altitude.

(3) If we look at the number of employees out of work, we again find five maximum points, 1886, 1890, 1894, 1897, and 1900; but here the relative situation is inverted as compared with the line showing the number of strikes, for the two highest points are in 1886 and 1894, in other words, in years following a depression. The next highest point is in 1900, while the two smaller apexes are found in 1890 and 1897.

(4) If we now look at the curve showing the losses by strikes and lockouts, the figures being obtained by adding together the loss of wages to employees and the

general losses estimated for the employers, we reach a still different result. We have here, as before, five maximum points, but of these that of the year 1891 is insignificant, as is likewise the one for 1897. The three high peaks are in 1886-1887, 1894, and 1900. Thus, as we proceed from one mode of measurement to another, we find that, excepting for the years 1899 and 1900, the peaks in years of prosperity tend to grow smaller, and those in years of adversity larger. Thus it turns out to be of considerable importance whether we take one mode of measurement or another. While, therefore, we find a certain agreement between the different curves in respect to the years of maximum, we find considerable differences, when we compare the magnitudes of those maxima themselves; so that those figures, while they confirm each other to a certain extent, do not in themselves enable us to answer the question, whether strikes are to be taken as a phenomenon of good times or of bad times.

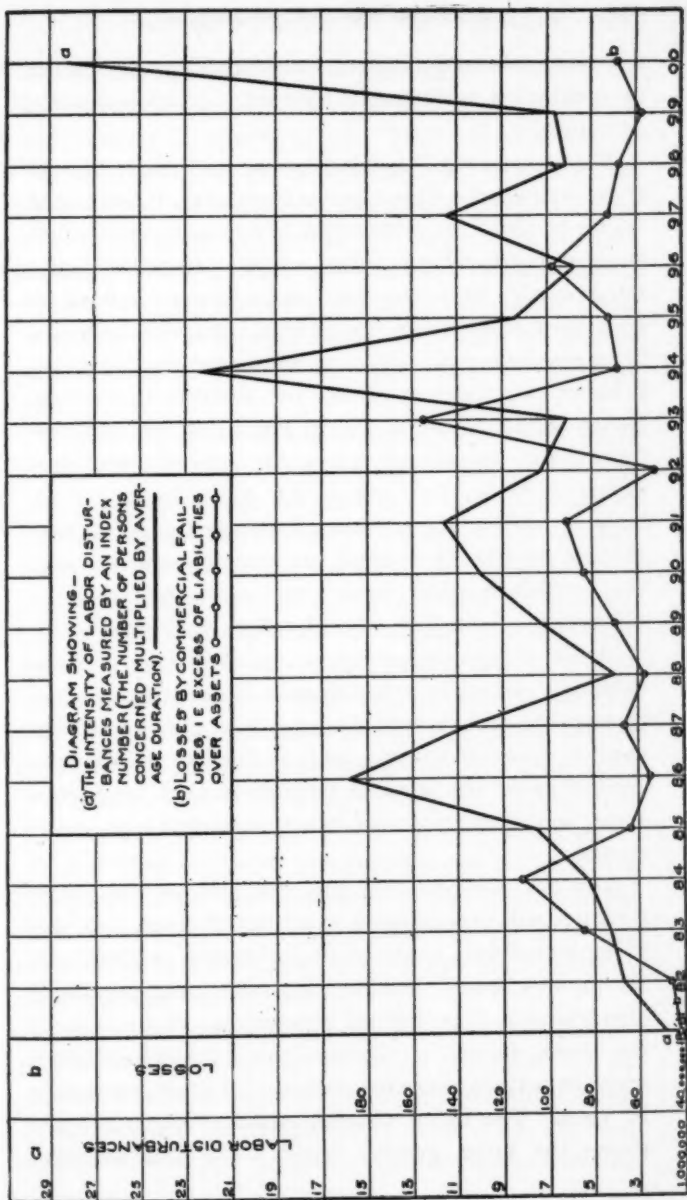
It would seem as if none of the figures used by the Bureau were altogether satisfactory. What we should really like to get at would be the number of days lost. In other words, if we could multiply the number of men striking by the duration of each strike, and add the products together, we should get a figure showing the number of days sacrificed. This would indicate both the importance of the cause, since it would show approximately the greatness of the sacrifice made by the strikers, and it would also show approximately the immediate consequences in the same way. Inasmuch as these figures are not given, we may create an artificial index number (which will not indicate any single fact, but will at least combine two important factors) by multiplying the number of strikers by the average

duration of strikes, the number locked out by the length of lockouts, and adding the products. If the strikers were evenly distributed among the different categories of strikes when classified by duration, this would be the figure sought for, *i.e.*, the total time lost. But it is, of course, possible that the larger strikes in a given year may have an average short duration and the smaller strikes an average long duration, so that the figures will be unduly swollen. And yet the general result may be assumed to be not far from accurate.

The reasons for measuring strikes by the number of days lost, or, failing that, by an index number which will give approximately the same result, may be thus summarized :

We have a constant standard based upon a permanent factor. If we take the number of strikes, the figures tend to shrink with the perfection of organization of labor. If we take the number of establishments, they vary with the organization of industry, tending to decrease as industry becomes more concentrated. If we measure loss of wages, we have a gage which varies with changes in the compensation of labor, while if we take simply the number of employees, we leave out of account altogether the important element of time. The loss of time is also the most significant single factor, whether we consider it as an index of the feelings which have given rise to the strike, or as an index of the sacrifice which the strike entails upon the strikers. As an additional presumption in favor of this index number it may be mentioned that the French labor bureau publishes the loss of days year by year, and that the English *Labor Gazette* has said in reference to different methods of measuring labor disputes : "The best statistical comparison is, however, the aggregate





duration, that is, duration in working days multiplied by numbers of work people involved." (*Labor Gazette*, Jan. 1903, p. 3).

The importance of agreeing upon and carrying out systematically a uniform index number is evident, when we try to trace the connection between labor disturbances and general prosperity. The Bureau of Labor has generally been very cautious in drawing inferences from the figures which it publishes. Its only approach to an expression of opinion on this particular question is found in a sentence in the introduction to the sixteenth annual report (p. 16), in which we are told that during the last eleven years the strikes were most numerous in the years 1890-1891 and 1899 and 1900, both of which were years of prosperity. President Hadley, on the other hand, in his "Economics" says that strikes usually occur after a commercial crisis "(Economics p. 299)." Mr. Theodore E. Burton in his work on commercial crises mentions strikes only incidentally, where he treats them as one of the preceding phenomena, but though he goes into great detail regarding other phenomena, such as imports and exports, consumption, statistics of failures and of unemployment, he makes no special reference to strikes or strike statistics.

Now the interpretation that we give to the strike statistics will depend upon which set of them we use. If we look simply at the number of strikes and lockouts, the figures would indicate that they are peculiarly characteristic of periods of prosperity. If we look at the losses, we get a different view, for the maxima occur in periods following commercial crises, excepting in 1900. The index number which I have adopted shows the same general result. The interpretation

which I am inclined to put upon these figures is the following: Strikes are the friction which goes with any process of readjustment. They are, therefore, liable to occur during the readjustment following bad times as well as during the readjustment which comes with rising prices and prosperity. Our index number seems to show that the friction is more intense during the readjustment following bad times than in the other case, though the large figures for 1900 must caution us against hasty generalizations. (See diagram on page 167.)

The study of the causes of strikes is vastly more difficult than their enumeration. Indeed, we may question at the outset whether it is quite accurate to use the expression "cause" to describe the various considerations which lead to a strike or a lockout. I do not desire to raise purely logical questions in this place, but I think it will be clear to almost any one that, when we speak of higher wages, shorter hours, etc., as the causes of strikes we really have in mind the motive, that is, that consideration, whether lying in the past or in the future, which determines the mind of the striker. But passing by this formal question, the enumeration of motives, or causes is extremely difficult, partly on account of the fact that in many strikes two or more are combined. The enumeration of causes and combinations of causes in the sixteenth annual report of the Commissioner of Labor for the year 1900 alone includes some 357 different rubrics.

Besides the difficulty arising from large numbers, which put us in danger of not seeing the forest on account of the trees, we have the further difficulty lying in the original investigation of separating the real cause from the apparent cause—the immediate from the

remote. On its face a strike may turn upon a question of wages, when in fact it turns on a question of trade union control. Or again the immediate cause may seem to be the discharge of a workman, when in fact this is but the occasion which brings into play impulses that have long been smouldering. These difficulties should, however, not deter us from studying the motives of strikes. They should only caution us to be careful in their use. Let us first see whether some grouping of motives could not be done by which the figures would be simplified, and the motives could be brought into connection year by year with other phenomena.

A careful study of the large number of assigned causes will show us that we can group them pretty easily, either according to the subject matter involved in the controversy, or according to the attitude of the parties. If we look first at the subject matter, we shall see that there are three leading interests, one of which is involved in almost every strike of importance :

(a) We have economic interests, which probably lie at the basis of more than half of the strikes and lock-outs, such as those involved in questions of wages, of hours, holidays, overtime, and sundry privileges.

(b) Many other strikes turn upon a question of power. We may speak of the motive in general as being social in its nature, though this term is not quite exact. In that group we should put the strikes and lockouts involving the recognition of the union, the discharge of non-union employees or of an unpopular foreman, and above all the sympathetic or secondary strike, waged not to gain direct advantages for the strikers, but to help others and thus increase the power and influence of organization.

(c) A third class, but less numerous than the first

two, includes strikes which arise out of a misunderstanding regarding new machinery or new methods of work. We might call these strikes for technical reasons, though again the term requires a little explanation to be understood. It often happens that an employer introduces some new labor-saving device or some new article, and fixes a schedule of piece-wages which he thinks, or claims to think, will leave the earnings of the operatives about where they were. The operatives are suspicious of the change. They believe they will either earn less, or have to work harder, or that the demand for employment will be lessened, or that in some other way the change is to their disadvantage. There may be no intention on the part of the employer to reduce earnings, or on the part of the workers to claim more.

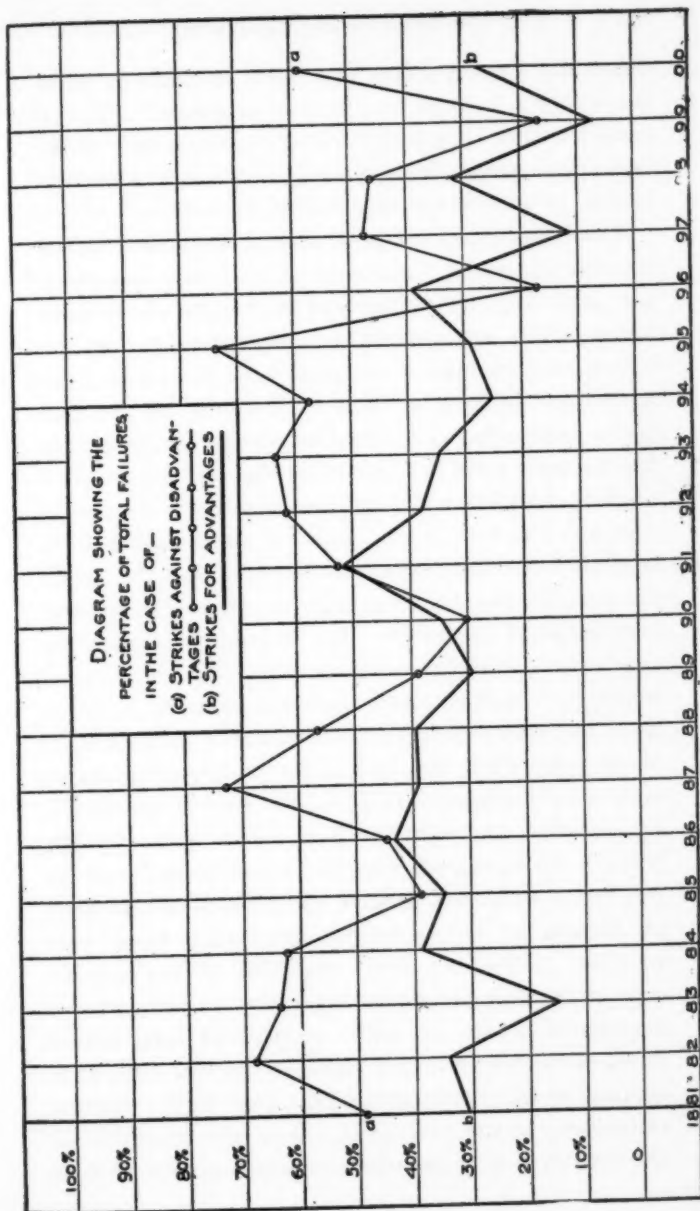
These three groups include all but a very small number of the disturbances.

Each of these three groups may again be subdivided according to the attitude of the parties, for in almost every case the strike occurs, either because the strikers desire to gain some positive advantage, economic, social or technical, or because they desire to resist an economy or some change or tendency which they think disadvantageous. The distinction in most cases runs parallel to that between offensive and defensive strikes, which is adopted by the German socialist unions in their statistics. Of course, as in war, one party may in form take the offensive, when in fact he is on the defensive. It would, therefore, not be safe to assume from the fact that a strike was recorded as having been undertaken for higher wages that it was not waged in resistance to some other measure such as the lengthening of hours or the cutting off of privileges. To the investigator, however, who examines into the circum-

stances on the spot, it is believed that the real character of a strike would in the majority of cases be evident.

The same analysis that is applied to strikes should be applied to lockouts, but, of course, with a converse meaning. The lockout and the strike are very similar. They differ simply in the fact that in one case the employer takes the initiative, in the other the employee. In some cases the employee may hold that he is virtually locked out, though the incident may look to others like a strike. A lockout, arising because the employees make demands which the employer is unwilling to concede would fall in the same category as a strike undertaken under the same conditions. As a lockout it would be defensive, as a strike offensive. Both would indicate the same thing with regard to the economic or social environment.

If the Bureau of Labor could, in addition to the detailed figures which it now publishes, secure figures showing the classification of strikes according to the grouping outlined, some important questions might find an answer which it is very difficult for us to settle on the basis of our present figures. It would, for instance, be interesting to know whether the increase in the number of strikes is due mainly to economic questions, or to social questions, that is, whether they represent simply the adjustment to changes in prices, cost of production, etc., or a desire for a change in the control of the conditions of labor. It would also be very interesting to ascertain the chances of success of the various kinds of strikes, and this would have a practical effect, because the trade union leaders would doubtless try to avoid those strikes which are least likely to succeed, and a good deal of futile friction might thus be dispensed with. Thus the gradual disappearance of the sympathetic strike is





due to the discovery that this kind of strike is much less likely to succeed than strikes in general. To express the same idea in figures, the sympathetic strike failed during the twenty-year period under consideration in 72 % of all the establishments involved.

I have made an attempt to analyze the strike figures according to one of the criteria which I have laid down, *i. e.*, according to the attitude of the parties, and to make a distinction between strikes undertaken to procure a positive advantage on the part of the men, and those undertaken to resist an effort at economy on the part of the employers. I confess that, as the grouping was based simply upon the published figures, there were a number of strikes which it was impossible to classify with absolute confidence. And yet these strikes form so small a fraction of the total number that the errors are probably not serious enough to vitiate the general complexion of the results. Leaving out of account the sympathetic strike, the figures show that, of the total number of strikes, those against economies failed in 49 %, and were either wholly or partially successful in about 51 %, while the strikes for positive advantages were wholly successful in 55 %, and were either wholly or partially successful in 71 %. But while on the whole a strike against economies was more likely to fail than a strike for positive advantages, the chances of success or failure varied very much from year to year. Thus we find that the strikes against economies were especially disastrous in the years of commercial crises, for while 49 % of all such strikes failed in the whole twenty years, in the year 1884 63 % resulted in failure and in the year 1893, 64 %. On the other hand, in the year 1899, when the condition of the country was on the whole prosperous, only 18 % of

these strikes failed completely. These variations are visualized on page 173.

Many other examples could be given to show the kind of application of which the strike statistics would be capable, if it were possible to get an analysis of them which would bring them into direct relation to economic forces.

## VIOLENCE IN LABOR DISPUTES

T. S. ADAMS

I. *The Extent of Violence*: At the very threshold of the subject we are met with a radical difference of opinion concerning the extent of violence in labor disputes. The great majority of employers undoubtedly believe that violence is the mainstay and chief resource of trade unionism. Labor leaders almost unanimously deny that violence is anything more than a regrettable but unimportant incident of the labor movement. According to Mr. Parry: "Organized labor knows but one law, and that is the law of physical force—the law of the Huns and Vandals, the law of the savage. All its purposes are accomplished either by actual force or by the threat of force."<sup>1</sup> According to John Mitchell: "The amount of violence actually committed is grossly exaggerated, and that which is fairly traceable to the officials of trade unions is almost infinitesimal"<sup>2</sup>

The issue here is squarely raised. Which assertion is correct? Confining our attention to physical violence only, it is possible to say, with some assurance, that Mr. Mitchell is undoubtedly correct. We have no official statistics of violence, but fortunately, Mr. Slason Thompson<sup>3</sup> has recently compiled statistics covering the entire United States, which are doubtless substantially correct. If they are affected at all by a personal equation—I have no reason to believe that they are—they are probably too high, rather than too

<sup>1</sup> Annual report (1903) to the National Association of Manufacturers. Quoted in the *Independent*, Vol. 55, p. 982.

<sup>2</sup> Mitchell—*Organized labor*, p. 321.

<sup>3</sup> See the *Outlook*, Vol. 78, p. 969 *seq.*

low. Mr. Thompson's figures cover the whole United States for the two and a half years beginning Jan. 1, 1902 and ending June 30, 1904. This period includes the most violent of the Colorado labor disturbances, the great anthracite coal strike of 1902 and other unusually important strikes, so that it was not abnormally peaceful to say the least. Mr. Thompson's figures in detail are as follows:

<i>State</i>	<i>Killed</i>	<i>Injured</i>	<i>Arrested</i>
California .....	6	34	31
Colorado .....	42	112	1345 <sup>1</sup>
Connecticut .....	4	43	65
Idaho .....	0	12	0
Illinois .....	35	477	1353
Indiana .....	0	14	39
Iowa .....	3	5	22
Kentucky .....	3	0	5
Louisiana .....	1	38	79
Maryland .....	0	9	10
Massachusetts .....	0	3	19
Michigan .....	3	4	7
Minnesota .....	0	9	1
Mississippi .....	0	0	1
Missouri .....	8	40	69
Nebraska .....	2	5	9
Nevada .....	3	4	1
New Jersey .....	3	76	125
New York .....	4	123	1010
Ohio .....	3	20	23
Oregon .....	0	4	18
Pennsylvania .....	35	486	678
Tennessee .....	4	7	88
Texas .....	1	15	62
Utah .....	0	41	223
Virginia .....	1	24	25
Washington .....	0	6	11
West Virginia .....	13	19	192
Wisconsin .....	1	1	10
Arizona .....	5	18	12
<b>Total</b>	<b>180</b>	<b>1651</b>	<b>5533</b>

<sup>1</sup> In addition, 573 persons deported.

Mr. Thompson's figures bear out the unionist's contention that, comparatively speaking, violence in labor disputes is not widespread, although they do not—at least on their face—bear out his contention that the employer and the employer's agents are responsible for most of the violence. The statistics show that in the two and a half years under consideration, 180 men were killed, 1651 injured, and 5533 arrested in strikes in the United States. Of the 180 killed, 13 were officers, 51 union strikers, and 116 non-union men. Of the 1651 injured, 134 were officers, 151 union strikers, and 1366 non-union men. Of those arrested, only 374 were non-union men, and 5159 union strikers.

Let us clearly understand the meaning of these figures. In themselves they are distressing enough. One innocent man beaten to death in the course of a thousand years is an infinite outrage. But after all, we must keep our sense of proportion. The world is still full of violence, and compared with some of the really prevalent forms, strike violence pales into insignificance. I have drawn, very roughly, a few comparisons to illustrate this statement. In the period under consideration, more lives were taken in lynching bees,—by seventy per cent—than in strikes, and practically twice as many persons were legally executed for capital crimes. In Greater New York alone, in an average year, there are nearly ten times as many homicides as deaths in strikes in the whole United States; and in the same city there are four times as many arrests for assault and battery, as in the whole United States for similar violence in strikes. Or another kind of illustration may help. If industrial accidents are relatively as frequent in the United States as in Germany, and if as large a proportion are due to faults of employers as in England,

then in the period under consideration, owing to the carelessness of employers alone, there were in the United States not less than 2400 persons killed, 20,400 disabled for life, 16,500 temporarily disabled for more than 13 weeks, and 120,000 incapacitated for more than three days and less than 13 weeks.<sup>1</sup> Compared therefore with industrial accidents due to criminal carelessness, or with the violence due to intoxicating liquor, strike violence is as dust in the balance.

II. *The Real Evil*: Is there, then, no real evil? Are we but disturbed by ugly dreams, inspired by the highly colored stories of yellow journals? I wish we could content our scientific judgment with so comforting a conclusion. There *is* an evil, widespread, important, and menacing. In a normal year, in the United States, only 120-160 people are executed for capital crimes but these are sufficient both to strike terror to people of murderous intent, and to indicate the existence of wide-reaching agencies of protection, whose business it is to create that atmosphere of law and order, without which modern life would be unbearable. So, similarly, even though there be only 70 odd deaths a year in strikes, these are amply sufficient to disclose the existence and activity of forces, which inevitably make for coercion, intimidation, and disorder, which *have* created and *do* maintain an atmosphere of oppression and moral, if not physical, violence. In short, I see no escape from the conclusion that the typical strike is waged in an atmosphere so surcharged with menace, that widespread intimidation and sporadic acts of violence are precipitated as inevitably as the atmosphere of the earth precipitates dew.

<sup>1</sup> Based upon estimates given in the seventeenth report of the (New York) Bureau of Labor Statistics, pp. 557-558.

At this point I must confess that it is impossible to "prove" the assertion just made, by anything short of a statistical enumeration of the number and proportion of strikes in which intimidation and disorder occur. However, these are some of the grounds upon which this assertion rests:

1. The first reason for the belief that the normal atmosphere of the typical strike is one of menace, is found in the tremendous sums which the employers annually spend to protect their property and the lives of their loyal employees in times of strike:<sup>1</sup> the stockades they erect, the special policemen they employ, the defence funds which they amass in their associations.<sup>2</sup> The American employer is not given to unnecessary precaution, particularly when it is costly; our statistics of industrial accidents prove this. He spends this money because he knows that the strike is dangerous, and the police, the reporter, and the non-union man know it, the last best of all.

2. The character of our least offensive strikes proves the point I am making. Taking into account all the attendant circumstances, the anthracite coal strike was, as it has been called, a comparatively "peaceable strike;" and the officials of the united mine workers have just reason to be proud of the manner in which it was conducted. Yet the catalogue of disorder which marked it, houses burned, trains wrecked, men beaten, women and children insulted and proscribed, is sickening.<sup>3</sup> The temperate and measured discussion of this

<sup>1</sup> See Report of the Industrial Commission, vol. VIII, pp. 386, 394, 395.

<sup>2</sup> See *The Open Shop*, Jan., 1905, p. 25.

<sup>3</sup> See *The Outlook*, vol. 78, p. 971.



aspect of the strike, by the Anthracite Coal Strike Commission, deserves to become a classic :

"Although some reflections on the general subject have been made, no discussion of the conditions prevailing in the anthracite region during the continuance of the late strike, would be adequate, that did not fully deal with the disorder and lawlessness which existed to some extent over the whole region, and throughout the whole period. It is admitted that this disorder and lawlessness was incident to the strike. Its history is stained with a record of riot and bloodshed, culminating in three murders, unprovoked save by the fact that two of the victims were asserting their right to work, and another, as an officer of the law, was performing his duty, in attempting to preserve the peace. Men who chose to be employed, or who remained at work, were assailed and threatened, and they and their families terrorized and intimidated. In several instances the houses of such workmen were dynamited, or otherwise assaulted, and the lives of unoffending women and children put in jeopardy. The armed guards, employed to protect the collieries and the men who worked them, appear not to have been an unnecessary precaution, and the governor of the state was, as the evidence before the Commission shows, justified in calling out the citizen soldiery of the commonwealth to preserve its peace and vindicate its laws.

"The resentment expressed by many persons connected with the strike, at the presence of the armed guards and militia of the state, does not argue well for the peaceable character or purposes of such persons. No peaceable or law-abiding citizen has reason to fear or resent the presence of either.

"It is true that exaggerated accounts of the disturbances were published, and there was testimony from reputable witnesses, tending to minimize them, and vouching for the good order of the communities in which such witnesses live; but these were mainly in the localities in which the operators made no attempt to work the collieries. It is also true, and justice requires the statement, that the leaders of the organization which began and conducted the strike, and notably its presi-

dent, condemned all violence, and exhorted their followers to sobriety and moderation. It would seem, however, that the subordinate local organizations and their leaders, were not so amenable to such counsels as to prevent the regrettable occurrences to which reference has been made."<sup>1</sup>

3. Finally, it is unnecessary to go beyond the testimony of our most respected labor leaders themselves, to prove the principal point which I desire to make. "A strike or lockout," says John Mitchell, "is coercion, but it is lawful,"<sup>2</sup> The labor leader claims a lawful right to boycott the employer, to picket his establishment, to denounce and ostracize the scab, to make contracts against the employment of non-union men, in short to coerce employer, public, and non-union employee by all means short of mis-representation and physical violence. It is admitted that the essence of the strike is boycott, ostracism, and coercion. Now, all I add is that the participants in strikes being what they are, coercion and ostracism cannot and do not stop short of molestation, obstruction, intimidation, and menace, and that in the nature of things, threats and intimidation cannot fail to yield a fair crop of physical violence.

Consider what a strike actually is. A hundred, a thousand, or a hundred thousand men go on strike. They see an indefinite period of unemployment before them, their credit disappears, their little savings dwindle, their jobs are taken by an indiscriminate horde of strike-breakers, who are too often merely toughs, adventurers, or irresponsible ne'er-do-wells. In the theory of the law the strikers may accost these strike-breakers and reason with them, persuade them, exhort them, but they may not restrain, intimidate, or

<sup>1</sup>Bulletin (U. S.) Department of Labor, No. 46, pp. 499, 500.

<sup>2</sup>Organized labor, p. 319.

threaten them. What nonsense to lay down such laws ; what folly to expect reason, persuasion, and exhortation ; what certainty of threats, heated arguments, blows, and violence.<sup>1</sup>

In that thrilling book, "The story of a labor agitator,"<sup>2</sup> Mr. Buchanan tells of a strike which he led against the Rio Grande Railway Co. After describing his efforts to block several schemes of active violence which were suggested or started, Mr. Buchanan continues : " I do not mean that the Rio Grande strike was a milk and water affair or that the men in charge were meek and humble suppliants at the feet of the public and the company. We did all we could to embarrass the management by means not forbidden by law and many were guilty of ' contempt of court,' and glad of it. We did our best to prevent men from performing service on the trains, *and we never ceased for a moment from the agitation of creating an atmosphere unsuited for ' scabs.'*"

Here we have the heart of the whole problem. Strikers claim the right to create, and in practice actually do create, this "atmosphere unsuited to scabs." They claim the right to boycott, to ostracize, to proscriber ; and they claim—or a large proportion claim—the privilege of enforcing these rights by the sympathetic strike, the closed shop and the unfair list. Per-

<sup>1</sup> "To ask men to unite in self-sacrifice for principle, involving, as most strikes necessarily must, deprivation and distress to themselves and those dependent on them, and expect them to see their places filled without the resentment that would kill the thing it hates, is to imagine men emancipated from the passion that sent Cain forth a fugitive on the face of the earth. A strike without violence of some sort is a barren ideality that exists only in the minds of self-deceived sentimentalists, professional agitators, and unsophisticated economists." Slason Thompson in *The Outlook*. vol. 78, p. 972.

<sup>2</sup> Pp. 174, 175.

mit these rights to be exercised—as they claim the right to exercise them—for no reason or any reason, and then, I say, the addition or non-addition of a little physical violence is a matter of comparative indifference. If my shop-mates and my neighbors are to ostracize me, banish me from their midst, close upon me the doors of the shops where I trade, embitter the life of my children, insult my wife and eventually deprive me of work by a closed contract with my employer, then I should prefer them to do the job thoroughly, and finish their work by breaking my head.

III. *Is Violence Increasing?* If we agree, then, that physical violence is significant as the sign and index of widespread moral violence, the question next arises, will this condition of affairs work its own cure? Is it true, as it is so often stated,<sup>1</sup> that violence diminishes with the passage of time?

Owing to the limitations of time, the most that it is possible to do in answering this question, is to present my own conclusions. I am not certain that they are correct, but they are based, at least, upon the examination of some 700 cases of strikes and violence before 1880, nearly 300 of which occurred before 1870.<sup>2</sup>

1. The most discouraging feature of strikes, from the historical standpoint, is their sameness from period to period. The very first American strikes of which we

<sup>1</sup> "With the growth of unionism there has been a distinct amelioration in the conduct of strikes. Formerly violence and bloodshed were common, now they are rare." Seligman, *Principles of economics*, p. 439.

<sup>2</sup> The list given in the sixteenth annual report of the Commissioner of Labor, pp. 721 to 804 was used as a foundation. I am greatly indebted for additional material to Professors J. R. Commons and U. B. Phillips, and in particular to Miss Helen L. Sumner and Mr. J. B. Andrews of the Bureau of Industrial Research. For the statistical work and much laborious research I am indebted to Mr. Robert Campbell of the University of Wisconsin.

have any detailed knowledge—those between the master and journeymen cordwainers of Philadelphia in the period 1794–1806—present the familiar modern features of an employers' association lined up against a militant trade union with a salaried business agent and a strike benefit (but no other insurance benefits).<sup>1</sup> Violence does not seem prominent in the strikes before 1830, but from the very beginning the chief dependence has been placed upon ostracism or "scabbing" as it was called in the eighteenth century, and the policy of the closed shop.

2. There were peaceable strikes and trade unions of the conservative type<sup>2</sup> in the United States in the first half of the nineteenth century, but during the fourth decade a wave of radicalism and lawlessness swept over the country,<sup>3</sup> from which neither the American people nor the American laborer has as yet wholly recovered. In 1833, Abdy, the English traveller, personally witnessed a New York strike which was conducted "without any attempt or apprehension of intimidation. Many of the malcontents," he tells us, "were well-dressed men; and all of them orderly and respectable in their appearance."<sup>4</sup> But shortly after this, or even before, a great

<sup>1</sup>The trial of the boot and shoemakers of Philadelphia, taken in shorthand by Thomas Lloyd (1806), *passim*. This volume contains an abstract of the journal of an employers' association, founded in 1789, and verbatim reports of the testimony of twenty one witnesses. It is of unique importance in the history of the American labor movement.

<sup>2</sup>See for instance the declaration of principles by the Mutual Benefit Society of Journeymen Cordwainers of Lynn, in *The Awl* of July 17, 1844: "We shall not declare war with, nor attempt to injure, our employers . . . . We wish to raise the standard of self respect, etc."

<sup>3</sup>See Evans Woolen, *Labor troubles between 1834 and 1837* in the *Yale Review* for May, 1892.

<sup>4</sup>E. S. Abdy, *Journal of a residence and tour in the United States of North America*, Vol. 1, pp. 30–32.

change occurred. Michael Chevalier's comments upon the violence of American labor disputes form the most disparaging chapter in his eulogistic book upon "Society, manners and politics in the United States."<sup>1</sup> Philip Hone preserves in his "Diary" a fiery handbill inviting violence against Judge Edwards, a New York justice who sentenced several tailors to jail for conspiracy.<sup>2</sup> On Sept. 5, 1835, the editor of *Niles Register* announces that: "During the last and the present week we have cut out and laid aside more than 500 articles, relating to the various excitements now acting on the people of the United States, public and private. Society seems everywhere unhinged, and the demon of 'blood and slaughter' has been let loose upon us.'" In 1837, Abraham Lincoln made violence the subject of a public address, in which he said: "Accounts of outrages committed by mobs form the every day news of the times."<sup>3</sup> On every hand, the people were taking the law into their own hands—the militia, as Chevalier said, looking on; the sheriff standing with folded arms—and the working people naturally imitated their fellow citizens. They are still imitating.<sup>4</sup>

3. Since the revolutionary period 1830-1850 the tendency to violence, I believe, has perceptibly abated. This is a quantitative subject, and must eventually be answered statistically. In an attempt to get some light upon proportions, decrements, and increments, I have had all the strikes previous to 1880 tabulated, about which I could secure any detailed knowledge at all.

<sup>1</sup> Letter XXIV, Aug. 4, 1835.

<sup>2</sup> The Diary of Philip Hone, Vol. I, pp. 210, 211.

<sup>3</sup> For this and the preceding quotation see Cutler, Lynch law, pp. 104, 111.

<sup>4</sup> See S. M. Sexton, Outlook, vol. 79, p. 199.

The data are scant, and it is necessary to assume, where a fairly good account is given and no violence is mentioned, that none occurred. In truth, the statistics are so poor, that if they had clearly conflicted with the conclusions derived from non-statistical data, I should stand by the latter and throw overboard the statistics. However, they bear out completely the conclusion derived from general study, the conclusion that, in any strike of a given size, there is less likelihood of violence today, than there would have been sixty years ago; but that, owing to the undoubted increase in the number of strikes, the aggregate volume of violence has grown enormously. This conclusion rests upon a long historical survey, and is not necessarily true of the tendencies of the moment.

4. Having regard to tendencies in the various trades or occupations, it is plain that encouraging progress has been made in some, while in others the most favorable conclusion possible is that no marked improvement has occurred. The history of the railroad brotherhoods, for instance, shows a rapid development of the power of self-control, while the magnificent handling of the longshoremen and eastern miners in recent years, by their respective unions, demonstrates the power of labor organizations to minimize strikes and restrain violence among classes of workmen peculiarly prone to violent methods. In order to test this conclusion statistically, I have had the strikes previous to 1880 tabulated by trades, so as to show the number and proportion in which violence is known to have occurred.<sup>1</sup>

<sup>1</sup> These statistics are just as bad as their predecessors, but both sets are probably better than unchecked, off-hand statements. When we are dealing with quantitative subjects, we think arithmetically, whether we know it or not, and the figures are preferable to mental arithmetic.



TABLE II  
STRIKES IN THE UNITED STATES, BY DECADES, 1796-1880

	UNION				NO UNION AND UNCERTAIN				TOTAL				Per cent with Violence
	With Violence	Without Violence	Uncertain	Total	With Violence	Without Violence	Uncertain	Total	With Violence	Without Violence	Uncertain	Total	
1796-1800	..	..	3	3	..	..	..	..	..	..	3	3	00
1800-1810	1	..	1	2	1	..	..	1	2	..	1	3	67
1810-1820	..	..	1	1	..	..	1	1	..	..	2	2	00
1820-1830	..	..	1	1	..	..	2	2	..	..	3	3	00
1830-1840	1	1	4	6	4	..	16	25	5	6	20	31	16
1840-1850	3	..	4	7	5	5	11	17	8	1	15	24	33
1850-1860	1	..	6	7	5	1	34	39	6	..	40	46	13
1860-1870	2	..	28	30	4	..	33	37	6	..	61	67	9
1870-1880	10	2	76	88	9	..	140	149	19	2	216	237	8
Total	18	3	124	145	28	6	237	271	46	9	361	416	11

Confining our attention to trades represented by more than ten strikes, we find that violence was most prevalent among day laborers shoemakers, textile workers, and miners, and least prevalent among building workers, iron and steel workers, ship builders, and glass blowers. At present, day-laborers are responsible for little strike violence, while the building and iron and steel workers, I fear, would have to take a high rank. The point which I desire to emphasize, is the possibility of a trade degenerating in this respect. We are far too inclined to argue, instinctively, rather than consciously, that as new unions grow old they necessarily become more peaceable; and that because trade unionism has led to the joint conference system and comparative immunity from violence in England, it will inevitably produce the same results in the United States. Such optimism, I fear, is unwarranted. Among the more advanced nations of the world, the American people stand alone and unrivalled in their aptitude for lawlessness. We have much to learn in this connection from the history of lynching in the United States.<sup>1</sup>

5. From the qualitative standpoint—and about this fact I feel unusually certain—a noticeable change has undoubtedly come over strike violence. The quasi-statistics which I have used (Table II) indicate that a large majority of the strikes before 1870 were not conducted by trade unions. They were more or less spontaneous outbursts, and the violence which they engendered was sporadic, passionate, defiant, frank; while

<sup>1</sup>“While the decrease in the number of lynchings per year since the early nineties affords some hope for the future with reference to the suppressing of lynchings, still the number of cases in which the victims are subjected to extreme torture indicate that too much reliance cannot be placed upon any apparent decline in the tendency to lynch.” Cutler, *Lynch law*, p. 275,

TABLE III  
STRIKES IN THE UNITED STATES. BY TRADES. 1796-1880

TRADE	UNION				NO UNION AND UNCERTAIN				TOTAL				Per cent with Violence
	With Violence	Without Violence	Uncertain	Total	With Violence	Without Violence	Uncertain	Total	With Violence	Without Violence	Uncertain	Total	
Cotton and woolen mill operatives	5	1	16	22	7	2	52	61	12	3	68	83	14
Miners	3	..	17	20	5	1	34	40	8	1	51	60	13
Iron and steel workers	..	..	17	17	2	..	32	34	2	..	49	51	4
Shoe makers	6	1	22	29	2	..	20	22	8	1	42	51	16
Shipbuilders, carpenters, etc.	..	..	3	3	1	1	13	15	1	1	16	18	6
Glass blowers	1	..	6	7	..	..	10	10	1	..	16	17	6
Laborers	..	..	..	..	9	1	4	14	9	1	4	14	64
Building trades	..	1	3	4	..	1	7	8	..	2	10	12	0
Furniture, piano, and cabinet makers	..	..	3	3	..	..	7	7	7	..	10	10	0
Coopers	..	..	3	3	..	..	8	8	..	..	10	10	0
Cigar makers	..	..	8	8	..	..	2	2	..	..	10	10	0
Tailors	..	1	3	4	..	..	5	5	..	1	8	9	0
Hat and cap makers	..	..	4	4	..	..	3	3	..	..	7	7	0
Railroad engineers and trainmen	2	..	2	4	..	..	3	3	2	..	5	7	30
Stove molders	..	1	4	5	..	..	1	1	..	1	5	6	0
Tanners and morocco finishers	..	..	2	2	..	..	4	4	..	..	6	6	0
Pottery workers	..	..	..	..	..	..	4	4	..	..	4	4	0
Coal heavers	1	..	..	1	..	..	4	4	1	..	3	4	25
Stone cutters	..	..	2	2	..	..	2	2	..	..	4	4	0
Longshoremen	1	1	1	3	1	1	1	2	2	..	1	3	67
Sailors	..	..	..	..	..	2	..	2	2	..	..	2	100
Saddlers and harness makers	..	..	..	..	..	..	2	2	..	..	2	2	0
Printers	..	..	2	2	..	..	1	1	..	..	3	3	0
Bakers	..	..	1	1	..	..	1	1	..	..	1	1	0
Brick makers	..	..	..	..	1	..	..	1	1	..	..	1	100
Total	19	5	116	140	30	6	219	255	49	11	335	395	..

the violence of today is too often cunning, systematic, and planful. In the thirties, for instance, outbreaks of mob violence in open, careless, brutal defiance of the law were frequent, particularly among the workmen upon the canals and railroads.<sup>1</sup> But one hears nothing of "wrecking crews" or "flying squadrons",<sup>2</sup> of "education committees" or "scab sluggers", of "strike breakers" or "spies".

To just what extent the labor violence of today is official—*i. e.*, deliberately planned—it is impossible to say. Certain it is that in some localities the non-union men entertain a very legitimate fear of their lives, while the union men are conscientious in their belief that much of the strike violence is deliberately instigated by agents of the employers.<sup>3</sup> And cases of undoubted authenticity may be cited on both sides. At the present writing, for instance, ten men are on trial in Chicago for conspiracy to slug one Chris. J. Carlstrom, who was beaten and died shortly after from pneumonia, probably aggravated by the kicking and beating. In this case<sup>4</sup>, the president and business agent of the union have confessed that professional sluggers were hired to perform

<sup>1</sup> See Woolen, *Yale Review*, May, 1892; and Paulson's *Am. Daily Adv. (Phil.)*, issues of Apr. 8 and 11, June 1 and 3, Sept. 14 and Dec. 11, 1829—July 2, 4 and 18, Aug. 22, Sept. 5 and Nov. 29, 1831—Mar. 31 and April 2, 1832.

<sup>2</sup> See Report of the Industrial Commission, vol. VIII, p. 388.

<sup>3</sup> "My experience in strikes has satisfied me, that there are many times when strikers are provoked, designedly, into the commission of unlawful acts for the simple purpose of furnishing justification upon which to base a call for the militia, in order that public sympathy may be alienated and to convey the impression that the strikers are in rebellion." Letter from John Mitchell.

<sup>4</sup> For account see *The Chicago Record-Herald*, issues of Dec. 3 and 8, 1905. 66 days were required to obtain a jury in this case, and before the hearing of testimony began, it had cost the state approximately \$40,000.

this act by the board of directors of the union, and paid for their services out of the union funds. On the other hand there can be no reasonable doubt that in the Cripple Creek strike of 1903, detectives and spies in the employ of the mine operators, did instigate and participate in violence of the most despicable and sinister variety, with the object of discrediting the unions.<sup>1</sup>

The real gravity of this systematic violence which occasionally comes to light, is the state of military preparedness which it connotes, the intensification of the conflict between labor and capital which it signifies, the armies of strike-breakers, spies and counter-spies whose existence it reveals. Capital and labor have now been playing the game of war for more than a century, and the game has been reduced to a science. When violence is employed, therefore, it will be employed scientifically, that is all; blows are no longer struck at random, they are directed at the nerve-centres. The mere extent of this systematic violence is relatively unimportant. The serious development of the century is the systemization of the boycott and blacklist, the constant and fairly successful effort of trade union and employers' association to improve and perfect their respective weapons of coercion, to give them a legal status and transform them—as the relatively innocuous pool was transformed into the more menacing holding company—into lawful instruments which are doubly oppressive, because doubly efficient, by reason of their very legality. Both sides are incessantly planning to perfect and legalize coercion and monopoly.

And for the worst of these evils neither capital nor

<sup>1</sup> Report of the (U. S.) Commissioner of Labor, 1905, Labor disturbances in Colorado, ch. XX. Cf. Report of the Industrial Commission, vol. VII, p. 719 and vol. VIII, pp. 257, 384. Buchanan, *Story of a labor agitator*, pp. 176-178, 248, 249.

labor is really to blame. John Smith owns a mine in Rocky Mountain Canyon and proceeds to develop it. Remembering bloody labor wars of the past, he thoughtfully builds round it a stockade, buys a machine gun, puts in a few stands of Winchester rifles, and an ex-prize-fighter or two as watchmen. Meanwhile the men take the hint, organize a union and exhort one another to remember that clause of the sacred palladium of our liberties which declares: 'The right of the people to keep and bear arms shall not be infringed.'<sup>1</sup> John Smith unites with his fellow operators and forms a defence association. The union amasses a strike fund. The association gathers a defence fund. The union announces its intention to enforce the closed shop rule. The employers perfect a labor bureau and prepare to blacklist—legally. The unions elect one of their members sheriff. The employers "see to it" that the circuit judge is "conservative." Organized labor in the state endorses and elects an attorney general. Organized capital buys the nomination of the governor. Sometime during this process a strike has broken out, and the long-continued, smouldering coercion breaks into the flame of actual violence. The conservative governor hurries a Sherman Bell to the scene, and it is not long before he is able to announce in the words of another military hero—"the backbone of the strike is broken." He has, perhaps, imprisoned innocent men in bull-pens, deported suspects, defied federal

<sup>1</sup>In March, 1903, the Milwaukee Federated Trades Council passed the following resolution: "Resolved, that since no nation in which the people are totally disarmed can in the end remain a free nation, therefore we urge all liberty-loving citizens and especially union men to remember and obey Article II of the Constitution of the United States which reads as follows: "The right of the people to keep and bear arms shall not be infringed."

judges, and smashed printing presses. Departing, the militia leave behind them peace—and the seeds of resentment, class hatred, and subsequent rebellion. Then they start again on another round of this vicious circle.

So the endless chain of offence and defence goes on, until the itching fullness of the preparation invites with irresistible allurements to actual battle. God alone knows which side started it, and he with his infinite understanding cannot care. He who strikes a blow must, of course, be punished. Society cannot safely withdraw one inch from that stand. But in the larger sense nobody is responsible. In the situation which I have described, you and I would act with our fellows. You and I would perfect the boycott and the blacklist, bar the scab or the troublesome agitator, countenance the sympathetic strike or the sympathetic lockout, and, in a pinch, hire a strike-breaker whose crew was largely composed of professional bad men, or fail to protest against a vigorous business agent who was not above slugging a "scab" in an emergency. Of course we would not plan violence. The rank and file never do. But we would learn to tolerate useful agents who in the bottom of our hearts we feared were not above violence. It is the system which is at fault. The whole game is played in the atmosphere of moral violence, as football is played in the atmosphere of professionalism, and it must occasionally lapse into violence.

IV. *The Joint Conference System*: The system, happily, has been slowly developing an anti-toxin for this poison of systematic industrial war: the joint agreement or joint conference. Can we wait for the joint agreement to suppress the disease?

In all soberness of judgment I do not believe that we can or that we should. It is true that in the last few



years peace has been secured in a number of industries by the joint-agreement, and in England a still more encouraging achievement has been recorded. But there is no sound reason to expect that widespread peace will soon be effected in the United States. There is every reason to fear that when the Bureau of Labor publishes its next report on strikes, more persons will be shown to have participated in strikes between 1900 and 1905 than in any other quinquennium of our history. And the employers' association is not at present making for peace. For every employers' association of the peaceable sort, there are a half dozen union smashers, and a whole dozen, which, while not looking for strife, nevertheless hold as their chief object the maintenance of principles which are opposed to the fundamental tenets of trade unionism. Both sides are thoroughly sincere; both are well-armed; and both place principle above peace. Take into account the union's insistence upon the closed shop and the employers' repugnance to that policy; give due weight to the spread of socialism and socialistic labor organization; remember the many trades and localities which remain to be organized, together with the new union's proneness to strife; add to all this the growing conviction among labor leaders (and even economists) that striking is good business policy, and we cannot intelligently hope for a diminution of industrial violence within any period short enough to justify consideration. Of course we may shut our eyes and trust to the doctrine that Providence takes care of fools, drunkards, and the United States. But some of us prefer common sense.

In concluding this phase of the discussion, it should be said that many of the most trustworthy authorities

believe that the employers' association will foster the joint-agreement system and thus hasten the era of peace. I hope this is a correct forecast. At our last meeting in Chicago we all agreed with rather startling unanimity that most American unions must and would maintain the closed shop. So long as the employers' associations repudiate this principle, there must be war, latent or active. When they accept the principle, then we shall have peace, but peace with monopoly: dishonorable and unprofitable peace unless the public or the state in some way is a party to the monopolistic agreement. But this point will come up again.

V. *The Police*: Another favorite remedy for strike violence, is improved police protection. "If the police would do their duty," employers frequently say, "there would be no violence." . . . "And no strikes, either," they frequently add, *sotto voce*. This opinion that the police, or more generally, "the authorities," are chiefly to blame, is often supported by the warmest friends of trade unionism. "Such [strike] violence," says Professor Bemis, "is almost entirely confined to places where the well-to-do and powerful citizens have almost entirely ignored their duty as citizens, and where, in consequence, the police force, if not the entire city government, has become inefficient and rotten to the core. . . . The remedy is civic reform, not the destruction of unionism."<sup>1</sup>

Now there is much truth in this. Many cases of sickening incompetency or complicity on the part of the authorities might be cited; and as between the unions, the employers and the authorities, the last may fairly be charged with the largest part of the responsibility for strike violence. But mere censure of the

<sup>1</sup> The Independent, vol. 52, p. 1275.

police and advocacy of civic reform do not exhaust the question. There are deeper considerations to be taken into account:

1. Much strike violence arises not from inefficiency or complicity on the part of the police, but from a pardonable inadequacy of police protection, combined with a reasonable and justifiable disinclination on the part of the civil authorities to call in the militia. A police force which is amply sufficient in ordinary times, is wholly inadequate in periods of industrial war. There should be a police reserve of some kind, with the training and temper of police as distinguished from the military training and temper. Pennsylvania, I understand, has recently passed a law, providing for the creation of a state constabulary; and in Porto Rico an insular or state police has been used with conspicuous success for many years. In any event and by state police or otherwise, an efficient police reserve should be maintained to assist the ordinary force during large strikes.

2. Apropos of Prof. Bemis's suggestion it should be noted that there is one condition far more provocative of desperate violence than poor police, and that is police closely affiliated either with labor or capital. Class government is worse than no government. The peculiarly revolting violence which characterized the Coeur d'Alene and Cripple Creek strikes, arose, in the greater part, from the very fact that the well-to-do and powerful citizens of whom Prof. Bemis speaks, did not ignore their civic duty, but performed it very actively by securing the election of sympathetic officials. The miners did the same thing, and I dare say everybody concerned, including the officials, was impartial and sincere according to his best lights.

3. A study of the cases in which the police or the militia have rigorously suppressed strike violence, makes it plain that the process is almost invariably accompanied by a very partizan administration of justice and rough contempt for the rights of the strikers. Take the Coeur d'Alene troubles of 1899, for instance. It is undoubtedly true that the local unions had maintained a reign of terror for months, and that troops were needed. But when they arrived they were practically put in command of an agent of the mine owners, doubtless a very respectable man, who immediately proceeded to smash the union by notifying the mine operators some of whom had lived at peace with the union and desired to continue bargaining collectively with it—that the employment of men belonging to the Western Federation of Miners “must cease”, and that “in case this direction is not observed your mines will be closed.”<sup>1</sup> Nor are actions of this kind confined to periods when martial law is in force. The acts of the Colorado militia in 1903,<sup>2</sup> when, by the explicit statement of Governor Peabody, Cripple Creek was *not* under martial law and the troops were present for the sole purpose of enforcing the civil law, were quite as arbitrary as the actions of the United States troops at Coeur d'Alene. Of course, we all agree, I suppose, that if it is necessary to smash unions, break strikes, prohibit picketing, and imprison labor leaders, in order to suppress violence, that these things must be done. Their necessity, unfortunately, does not keep them from creating in the minds of the strikers a class hatred, a distrust of the militia, and a resolution to renew the

<sup>1</sup> Report of the Industrial Commission, vol. XII, p. 390 *passim*.

<sup>2</sup> Report of the (U. S.) Commissioner of Labor, 1905, “Labor disturbances in Colorado,” p. 181 *seq.*

battle, which go far to counterbalance the blessings of peace.

From this proposition that the rigorous prevention or suppression of violence almost always involves violation of important legal rights, several profitable deductions may be drawn :

(a) Something undoubtedly needs to be done in the way of defining the status of military forces in labor disputes. Either the law is ordinarily broken, or the ordinary law is set aside, when the militia are called out. In either event, all the parties concerned in strike violence are entitled to know what is expected of them. Congress and the several state legislatures, should, it would seem, carefully formulate rules covering the following vital points : the powers and duties of the militia when merely assisting the civil authorities to enforce the civil law : the relations between the military and judicial authorities under such circumstances : the power of governors and military authorities to remove local officials for alleged incompetency or corruption : and the meaning and efficiency of rights guaranteed by federal law in districts where martial law has been declared by state authorities.

(b) If what has been said is true, it is apparent that the trade union's common objection to the calling out of troops has some equitable basis. This is a particularly difficult point for the layman to appreciate, and in another place<sup>1</sup> I have criticized the inconsistency of labor leaders who deny that their followers participate in violence, and in the same voice denounce the measures necessary to suppress violence. I still believe that organized labor makes a mistake in attempting to boycott the militia, as a few unions have done, and in

<sup>1</sup> Adams and Sumner, *Labor problems*, p. 212.

strenuously opposing the use of troops where widespread violence exists. But they have a distinct right to demand that the troops shall be used to suppress violence alone, and not to suppress strikes or trade unions. To this demand it is no answer to say, that as the union has stirred up the violence it must take the consequences, for the disturbance is frequently started by agents of the employers.<sup>1</sup>

VI. *The Law and its Enforcement*: The fundamental reason why legal rights are frequently infringed by police and militia when suppressing violence, is found in the nature of the law on strikes.

In the first place the law is horribly confused; what is legal at one time is illegal at another; what one court prohibits another permits; what is criminal in one state is merely actionable in another and perfectly lawful in a third. It is unnecessary to enlarge on this point. The conflict of law is admitted by the courts themselves, and signifies nothing worse than the inherent difficulty of a problem which neither economists, legislators, nor judges have yet succeeded in solving.

In the second place the law draws distinctions here so subtle and refined that it is almost impossible to maintain them in theory and utterly impossible to preserve them in the clash of actual industrial war. "The law here," says Stimson, "goes into the domain of conscience and morals. The question is not so much what is done, nor even what results follow, but what is the inmost real intent the persons engaged in doing it."<sup>2</sup> It is no accident that the law on strikes is chiefly enforced through equity processes by the courts themselves. Nobody less expert than a trained jurist is fitted

<sup>1</sup> From a letter to the writer.

<sup>2</sup> Stimson, *Handbook to the labor law of the United States*, p. 200.

to enforce such law. Fancy a conscientious policeman trying not to interfere with a group of pickets in the exercise of their lawful rights of accosting, persuading, and exhorting a frightened scab, but trying just as conscientiously to prevent them from breaking the law by threatening, reviling, intimidating, or interfering with the scab. And this is one of the simple problems in the law of strikes.

In the third place, such law as exists is not enforced, the police do not enforce it, prosecuting attorneys do not enforce it, and the public makes no persistent or intelligent demand for its enforcement. As a people we have not dared—nor wished—to enforce the laws on strikes and boycotts, any more than we have dared to enforce the plain and unequivocal provisions of the anti-trust acts.

Some of the reasons for this non-enforcement of the law we have just found in the confusion and subtlety of the law itself. But there are profounder reasons still. One of these is the public recognition of the fact that the trade union is doing as much or more than any other single institution toward the realization of that most important of all social aims—a better distribution of wealth. We overlook the means which the unions often employ, because we endorse so heartily the end which they seek.<sup>1</sup> Another significant reason why we pardon the lawlessness of the unions is found in the fact that what is unlawful for workingmen is not unlawful for employers, or to state it more accurately, that unlawful acts which it is perfectly easy to discover when committed by workingmen, are utterly beyond discovery when committed by employers.

Is it necessary to prove this truth? Suppose a num-

<sup>1</sup> See Clark, *The problem of monopoly*, pp. 72, 73.



ber of union men wish to secure the discharge of a "scab." Because they must combine together, discuss the matter formally, pass resolutions and act through authorized agents, it is easy to discover the motive of the combination, and in most states the action is unlawful. Suppose on the contrary the employer of all these men, who is comparable to all of them in power and importance, discharges the president of the union merely to punish and harass the union. It is not only utterly impossible to discover his motive, but in most states his action is perfectly lawful irrespective of the motive. Suppose the workmen in a coal mine strike in order to force their employer to boycott the owner of a steel mill who is having trouble with his employees. In every state, so far as I know, their action is conspiracy and highly unlawful. But suppose the United States Steel Corporation, having a strike in one of its steel mills and discovering that the strikers are receiving financial assistance from their workmen in a coal mine, quietly close down the coal mine in order to cut off the source of supplies. It would be impossible to discover the cause of this shut down, and as the corporation is a legal personality, a unit, I do not see that the action could be regarded as unlawful even if the motive could be shown. The action of the employers in these supposititious cases is quite as bad from every point of view as the essentially similar action of their workmen, but the workingmen may be punished, while the employers may not.

In the beginning of this paper I called attention to the fact that the great significance of physical violence in strikes was the moral violence or coercion which it connotes, and expressed the opinion that the unregulated use of such coercion was morally wrong and

socially inexpedient. At this point I desire to call attention to the fact that employers habitually use a form of moral violence or coercion which may be equally as cruel, inexpedient and dangerous as the "scabbing" in which their workmen so frequently indulge. At the beginning of one of the most protracted wars between capital and labor which this country has ever known, one of the employers when informed that the men were about to strike replied, "Let 'em starve, then." The pressure of necessity and the coercion of want, these are weapons constantly used by employers who grow vehement in their denunciation of the ostracism of the scab, and who glow with fiery eloquence in explaining the immorality of the boycott or sympathetic strike. Surely it is unnecessary to enlarge upon this inconsistency. Every protracted strike is a mere test of resources in which the employer's strongest ally and main resource is the fear or actual presence of want. You tell me that the employers' alliance with the forces of hunger and want may be immoral, but that this is a matter for the conscience of the employer and not a question for the lawyer or the economist. I answer that in this question of labor combinations the law dips down into the secret recesses of morality, and inevitably as well as justly so. Mere immorality when swollen and intensified by huge combinations becomes more dangerous and oppressive than most of the actions which the criminal law undertakes to punish; and occasionally, as in the sympathetic railroad strikes of 1894, we are stricken with the terrible actuality of this truth. Only we forget that the employer is a combination in himself, and fail to transform his industrial immorality into indictable crime.

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In conclusion it may be desirable to restate briefly the basal thought underlying this paper :

Strikes in this country (or more accurately the number of persons involved in strikes) are increasing. These strikes are normally accompanied by coercion, menace, boycotting, and intimidation, and these naturally produce a certain amount of physical violence, which is less important *per se* than in its revelation of the wide and fertile field of moral violence from which it springs. The law against physical violence is poorly enforced, while the law against moral violence is scarcely enforced at all ; and the result is a situation which is unbearable for those people who abhor violence and utterly detest those cunning forms of peaceful coercion which undermine manhood, stimulate graft, and foster oppression. How to remedy the situation is a problem which I am not called upon to solve, but which demands, nevertheless, the last few words.

It is evident that the way out of this situation is not by legalizing the boycott, the strike against the non-union man, and other forms of moral violence whose very existence creates the problem. On the other hand, it is just as plain that we cannot relieve the situation by vigorously enforcing the law against the unions, while employers are permitted to league themselves with the forces of want and poverty, and practice the same moral violence which in labor combinations we so justly condemn. We must equalize the law and then enforce it ; but it is plain that the equalization must come by levelling up, not down ; by increasing the responsibility of employers, not by diminishing the responsibility of the workmen. And it is equally plain that this higher law will be of no avail unless some new method of enforcement is secured ; our present

executive and judiciary have utterly failed to enforce existing law, and the legal reforms which are here contemplated would throw upon both arms of the government harder and more exacting tasks.

Personally, I see no solution of the problem short of an expert commission, essentially similar to the railroad rate commission, which shall stand midway between the executive and the judicial departments of government, whose specific duty shall be to foster and develop voluntary collective bargaining—when necessary to regulate voluntary collective bargaining in the interests of the public or the non-union man (parties not represented in ordinary collective bargaining)—and when collective bargaining breaks down to replace it with expert authoritative arbitration. Only through experts and in this round-about way shall we be able to enforce that difficult species of law which we have already devised for labor combinations and which some day we must apply to employers.

For after all there is no logical stopping place short of "fair" conditions of employment, and in particular the "fair wage," the wage that, in the opinion of the wisest, sanest, and most expert authorities to be secured, is, in view of all the circumstances, a fair wage. Our representatives at Washington are at this time considering ways and means by which to maintain "reasonable" railroad rates. Why, then, should we regard the "fair wage" as a utopian dream? The one is not more difficult than the other; nor more necessary.

Of course this program means "compulsory arbitration" in extreme instances; but of compulsory arbitration there is time to say only that in my deliberate opinion it is not only practicable and adaptable to the requirements of our constitutional law, but that it is

inevitable. As a class, economists have been led to condemn compulsory arbitration by confining their attention and consideration too exclusively to the New Zealand model. In time American ingenuity and the sound business sense of the American people, will devise an American system of compulsory arbitration and suppress industrial war.

## VIOLENCE IN STRIKES—DISCUSSION

NICHOLAS P. GILMAN: I deprecate any attempt to minimize the amount of violence in labor disputes by comparing it with the amount of other crimes, for trade unionists belong to the intelligent and usually peaceful classes of the community and ought not to need such comparison to excuse them. Whatever may be said privately by unionists of any particular case of violence committed upon a non-unionist by a unionist, the formal utterances of labor leaders upon the wrongfulness and the bad policy of employing violence in strikes are, indeed, above reproach. But the practical attitude of many unions is not in keeping with their peaceful theory. In case of violence claimed to have been committed by a unionist, the effort of the union is first to deny the fact, and secondly to avoid responsibility, thirdly, the union furnishes able counsel to defend the accused member; and, fourthly, if he is convicted, it fails to expel him from its membership. There are few, if any, penalties prescribed for violence, and dismissal for proved crime of the kind is unknown. In view of these facts, the disinterested student of the phenomena must pronounce the position taken by trade unionists against the use of violence in labor disputes to be too largely academic. The unions take no vigorous measures to prevent it, or to punish it when committed. They profit by the fear of violence which actually prevents thousands of non-unionists from seeking work in an establishment where a strike is on, and they do not sufficiently reckon up the remote consequences of such a policy in alienating the good will of the public. Trade unions can prevent violence in strikes if they really

wish to do it, at least in a very great degree. We need a rigid enforcement, by the authorities, of existing laws against criminal practices committed by strikers. Picketing leads very easily to actual violence, and it should be abolished. It is a method of reaching workmen outside of the establishment having a strike that has become antiquated in this age of the printing-press and the telegraph. Lawlessness by persons who excuse their methods because their ideals are high is too common in our country to-day: violence by trade-unionists is a very palpable example, and it should be rigorously suppressed by law and public opinion.

GEORGE E. BARNETT: Mr. Adams' paper resolves itself into the maintenance of three theses. In the first place he points out that the actual violence in labor disputes is a smaller evil than the atmosphere of menace which surrounds many, if not most strikes. Secondly, he asserts that this violence does not show such a decrease as to warrant us in the belief that tendencies now at work will result in the effectual diminution of violence. Thirdly, he suggests that the evils attendant upon the use of violence are so great that it will be necessary, or in any event highly desirable, to adopt some system of compulsory arbitration as an effective remedy for an intolerable state of affairs.

The second proposition is the pivot upon which the first and third turn. For menace obviously exists because of some actual violence. Once the violence is either done away with or considerably diminished, the atmosphere of menace will be sensibly lightened. In the same way, the validity of the third proposition, viz., the necessity for the interposition of the state in order to avoid strikes and the violence attendant upon them—



depends directly upon whether or not violence is likely to decrease.

In support of his central thesis—that violence shows such a slight tendency to decrease as to give us no good ground to hope for its disappearance—Mr. Adams adduces first of all a body of statistical evidence. The statistics thus introduced appear to me to have even less weight than Mr. Adams, himself, attaches to them. (1.) The strikes in which it is possible to determine whether violence was employed or not are so small a part of the total number as to make any inferences drawn from the tables extremely untrustworthy. (2.) The statistics of violence to be of any use must be qualitative. In the tables presented, no attempt is made to distinguish between large disturbances such as the railroad strikes of the '70's and the smallest infractions of the law. (3.) The tables do not cover any part of the period since 1880. The great tendencies which most economists believe make for a diminution in violence: the nationalization of the unions and the development of collective bargaining, were hardly in existence in 1880. For these and other reasons it seems impossible at present to reach any conclusions from a study of the statistics now in existence. Undoubtedly useful statistics might be had, but the collection of such statistics would require an enormous outlay.

In the absence of any satisfactory statistical data, any judgment as to the increase or decrease of violence must be based upon a study of the history of the older unions and of the tendencies now manifest in the labor movement. Mr. Adams believes that the improvement in methods of collective bargaining does not show such a continuity as to warrant us in counting strongly on

relief from this quarter. There are undoubtedly many eddies in this movement, but allowing for all relapses, the history of collective bargaining shows, especially in recent years, clearly discernible tendencies. The last ten years, more than any equal length in the past, have been full of significance in the trade-union history of the United States. Within that period has come, in a measure hitherto unknown, the rise of national employers' associations and great systems of collective bargaining. In considering the slow development of peaceful methods of settling labor disputes in the United States, we must always bear in mind that the nationalization of the unions and the employers' associations has been considerably delayed by the extent of the country and the consequent diversity of interests. The necessary organisms for carrying on collective bargaining are in an early stage of development. The greater part of the employers' associations of the United States are still union smashers. Practically all of them started so. At the outset, the points of difference between the association and the union are too great to permit an immediate adjustment. Unfortunately in most cases warfare ensues, but eventually one of three things must occur. The union is smashed, the employers' association is broken up, or the troublesome question is settled.

In the main every great strike by a strongly centralized union settles something. Under the old régime of local warfare, a strike led nowhere. The perpetual cycle of strikes alone was in evidence. To draw a concrete illustration: in 1880-1881, the corresponding secretary of the Typographical Union stated that in a membership of 8000, thirteen strikes had been reported. Certainly many strikes were not reported. In 1904-1905, the Union with 45,000 members had nineteen

strikes. In the latter year, only 256 men were involved in the strikes. The years 1880 and 1904 may be regarded as normal years. In the year 1905-06 the Union is involved in a struggle with the Typothetae of a magnitude hitherto unknown. But the strike of this year is bound to have important consequences. It leads somewhere. A definite issue of vast importance to the trade is at stake. Sooner or later, whatever may be the result of the struggle, the Union and the Typothetae will reach an agreement. The difference between the strike of 1880 and that of 1905 is the difference between guerilla warfare and a pitched battle. For constant warfare the unions and employers have substituted great contests with intervals of peace. The net result is a lessening in the number of men involved in strikes if we take considerable periods into account.

The replacement of guerilla warfare by pitched battles makes in another way for diminution of violence. Upon the pitched battle the attention of the public is centred. The national disapproval of violence can exert itself. The leaders on both sides have been quick to perceive the enormous advantage of popular approval. Evidences of this new appreciation of public interest are manifest. The old policy of secrecy is giving way to a more enlightened regard for popular interest. Fifteen years ago the older unions in the United States were extremely reticent about their laws and their proceedings. At present in almost every national union office in the country the amplest information is afforded every inquirer. Their proceedings and laws are obtained for the asking. The trade union leader engaged in a national contest is well aware that violence will prejudice his cause. The centralization

of the union gives him some power to make his wishes felt.

Finally, we must remember that violence is largely an imitative process. Like crime of other kinds, like lynching, one set of violence leads some one else to commit another act. Diminish the violence in any trade and the effect is felt in a farther diminution. Lengthen the period between strikes and the imitative faculty responds less readily. If the forces now at work do diminish strikes, if they concentrate in great conflicts the old incessant warfare, the ultimate effect will be far greater than the immediate result.

The trade unions in America and the employers' associations are in all stages of development. We cannot look for any immediate large decrease of violence but the encouraging sign is that never at any previous period have so many of them been maintaining peaceful contractual relations with the employers' associations. It will be the part of wisdom for economists to stress the undoubted gains of present tendencies rather than to point the way to what can at present be only a chimera.

W. B. PRESCOTT: Being compelled to approach this subject from the view-point of an observer rather than that of a student, I may be pardoned for sounding the personal note by saying that though I have been a participant in five strikes and have had a more or less close connection with the management of about 200 strikes and lockouts. I have no practical knowledge of strike violence—spontaneous or systematic. I know of a few personal brawls magnified into riots by news-hungry reporters, and on but one occasion in my experience was there reason to believe that officials of a local union

had connived at violence. In this instance the officers of the "parent" organization withdrew from participation in the management of the strike so soon as they were morally certain of the intentions of the local manager.

Mr. Adams is of opinion that physical violence is bred in the "atmosphere unsuitable for 'scabs.'" To my mind, he attaches too much weight to that cause. Outside their activity in fixing wages and hours of labor, trade unionists stand for certain well-understood principles or rules of workaday life. Among these is what Andrew Carnegie has called the new commandment: "Thou shalt not take thy neighbor's job unfairly." He who violates the ethics of his calling in this respect is made to feel the obloquy of his act, whether he is a professional man or a hod-carrier. In the case of the latter he and his family are regaled with some harsh—perhaps coarse—and very plain talk. When his children are ostracized by their playmates they are told the reason why in the loudest of tones. For a score of reasons unionists believe their ideas are beneficial to the working classes and that all wage-earners in organized trades should align themselves with their unions. Those who neglect to do so or oppose the principle are ostracized. Their manner of doing so may not be in the best of taste, but in all essential respects unionists are but following the advice an eminent educator gave the American people relative to the beneficiaries of bad trusts—to taboo them in the social and business worlds.

To some degree this feeling permeates all unions, whether composed of men of a low degree of skill or of a high degree; of old men or of young men. If, then, this atmosphere is a fruitful mother of physical violence,

we should look for demonstrations of it among the older unions. But we don't find it there; on the contrary, the older organizations are comparatively free from violence, even of the brawling type. My observation forces the conclusion that strike violence has its roots in the almost universal disregard for law and in the character, habits, and age of the majority of the men involved in any strikes. That is, if men are engaged in a hazardous occupation, which compels frequent displays of recklessness they are more ready to resort to, and to place more reliance on physical force demonstrations than those who work under less dangerous conditions—such as a printer or a cigar-maker. Men who year after year accept the risks which fall to the lot of a railroad brakeman, or of a lineman, or of a structural iron-worker must in time come to think lightly of the dangers involved in physical encounter, and when hundreds of them are on strike they see little harm in resorting to violence *en masse*. Daring is one of the qualities which make up competency in such trades. These men also become inured to seeing their mates maimed and killed, (all too frequently due to lawlessness on the part of their employers) and therefore have less horror of mutilation or death than those whose lives have fallen in more pleasant places. The same spirit of recklessness which makes it possible to man railroad trains and build skyscrapers—of inestimable benefit to society—is responsible for much strike violence.

Then there is the hot blood of impulsive youth, of which dry statistics take no account. I think, however, it is a factor. In the printing trades, with which I am fairly well acquainted, there are two organizations that serve to illustrate the tendency. One is the typographical union, over fifty years old and composed of

adults. Within the sphere of its influence the atmosphere unfavorable to the scab is intense—but there is no physical violence. The man who deliberately violates his obligation is tabooed. He is not as a rule beaten or even indecorously accosted in public places; he is treated as are outcasts in other circles, and to which the world says "Amen". But it seems that while the policy of "silent contempt" for the wrongdoer may be proof of good breeding in the lawyer or merchant, it is "low" and of questionable legality when practised by unionists. Though any mitigating circumstance is given full consideration and weight, the transgressor is seldom fully forgiven, even after being again within the fold. I know, as Mr. Commons intimates, such a boycott is more to be dreaded than a pummeling. I have seen strong men cry for joy at the ban being raised, though they knew a certain amount of opprobrium would attach to them, and I have heard a wife declare her willingness to undergo any privation if her husband were but forgiven and reinstated. I have possibly had more heart-to-heart talks with strikebreakers than has President Eliot of Harvard, yet I never met one who was not anxious to have that portion of his life relegated to the limbo of the moon. None of them spoke of himself as a hero, but all pleaded for mercy as malefactors—traitors to their fellows. It may be my judgment is warped, but I have always thought much of the distress of which strikebreakers complain is mental and due to the flagellation of a guilty conscience. However, in the typographical union we have the supposed dangerous "atmosphere" in all its intensity, and yet 3000 members of this organization have been on strike for three months and practically no physical violence has been alleged.



On the other hand press feeders' unions are composed of youths and young men, and with them there is not practised that rigid adherence to the tenets of unionism that characterizes the compositors, who are members of the typographical union. But the history of feeders' strikes are speckled with blood spots. To waylay and beat a rat is something to boast of among the youthful feeders; to be detected in the commission of such an act would mean loss of caste with the larger element of the more mature compositors. Nor do the feeders send a "rat" to Coventry with the alacrity and thoroughness of the compositor. Eliminating the elements of youth and the intellectual status of the men involved, I am convinced the compositor's attitude toward violence has been much influenced by the union and its teachings. Though as a result of strikes and lockouts he has seen his savings dwindle and his home destroyed, he does not resort to physical force, largely because he knows it would be useless, as it is axiomatic in his union literature that strikes are not won by such methods. So, though he be tempted to wreak vengeance on the head of the man who took his job, he refrains out of consideration for the union's welfare, just as he sometimes works under obnoxious conditions rather than place his union in the position of not living up to its contractual obligations. Then, too, he has confidence in the ability of his union to take care of the situation in the future, which tones down any primitive desire for revenge that may lurk in his bosom. In a word, the more thoroughly organized and well-drilled in unionism men are, the less tendency there is to indulge in physical violence. Indeed, it is difficult to inveigle them into it.

The theory that violence is part of the trade union program has little to support it. The means to indulge

in this form of lawlessness is always at hand, should some short-sighted opportunist desire to use it. I have never heard it mentioned as among the methods by which strikes were to be won. If violence were an accepted part of union machinery it would be directed against hostile employers and other influential enemies rather than inconsequential non-unionists, yet we seldom hear of employers being molested.

Mr. Adams recognizes that the general spirit of lawlessness is in a measure responsible for some of the evil we are discussing. If the law were rigidly enforced much of this would disappear, for it cannot be denied that among working people the law is falling into disrepute, with the highest dignitaries of the nation open violators of law and the costs of litigation so high that in the nature of things a poor man is frequently debarred from seeking justice. Small wonder that an occasional wronged and perplexed striker thinks he may have his fling. According to the editor of the mine workers' Journal, during the period covered by Mr. Slason Thompson, 904 persons lost their lives in the coal mines of the United States, and in every instance a coroner's jury declared the accident to be the result of wilful violation of law. Practically nothing was said by the press in condemnation of the culprits, and no one was brash enough to think they would be punished. Able counsel doubtless discovered many reasons why punishment should not be inflicted, but the concrete fact is that wrong doing resulting in a great loss of life went unpunished. It does not take much imagination to picture the miner who was sentenced to a year or so in jail for unpremeditated assault wondering why so much was made of his transgression, while the man who deliberately violated the law—and perhaps was

guilty of an additional offence in bribing an official to permit him to do so—causing the death of hundreds, is practically unmolested. Object-lessons of this kind do not promote respect for law. Such inequalities and inconsistencies in the enforcement of law are on the surface and known of all men. While the workers instinctively feel they are handicapped when before the courts, they do not trouble to make the nice distinction that in their case the law “dips into the secret recesses of morality,” and the secret of employees are being investigated. The manner of enforcement is what undermines their respect—if it does not create a spirit of hostility.

Why should society, reeking with lawlessness, expect a clean bill of health from that element which has more excuse for violation than any other, and which is in fact a model for adherence to the law for many of its critics? If society will itself but set the example, of upholding the law without fear or favor, then strike violence will disappear, even though every trade union agency and influence were to remain as it is.

## THE ECONOMIC FUTURE OF THE NEGRO

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The object of this paper is to note the historic rise of economic classes among Negro Americans and to seek by a study of present conditions to forecast the economic future of this class of American citizens. As has been many times pointed out the slaves consisted of a mass of field hands and a smaller number of selected servants and a few artisans. When this mass of labor was suddenly transmuted into a body of laborers more or less free there ensued a struggle for economic independence which is still going on. When now we discuss the economic future of this group of ten millions we must first of all not fall into the prevalent error of speaking of these persons as though they formed one essentially homogeneous group. This was not true even in slavery times, and it is so false today that any theories built on such a conception are false from the start.

The Negro American after slavery made four distinct and different efforts to reach economic safety. The first effort was through the preferment of the selected house servant class; the second was by means of competitive industry; the third was by means of landholding and the fourth by means of what I am going to call the group economy—a phrase which I shall later explain.

### I. The effort of the house servant.

The one person who under the slavery régime came nearest escaping from the toils of the system and disabilities of the caste was the favorite house servant. This arose from four reasons:

(a) The house servant was brought into closest contact with the culture of the master's family.

(b) He had more often the advantages of town and city life.

(c) He was able to gain at least some smattering of an education.

(d) He was usually a blood relative of the master class.

For this reason the natural leadership of the emancipated race fell to this class, the brunt of the burden of reconstruction fell on their shoulders and when the history of this period is written according to truth and not according to our prejudices it will be clear that no group of men ever made a more tremendous fight against more overwhelming odds.

It seemed natural at this time that this leading class of upper servants would step into the economic life of the nation from this vantage ground and play a leading rôle. This they did in several instances: the most conspicuous being the barber, the caterer, and the steward. For the most part however economic society refused to admit the black applicant on his merits to any place of authority or advantage; he held his own in the semi-servile work of barber until he met the charge of color discrimination from his own folk and the strong competition of Germans and Italians; while the caterer was displaced by the palatial hotel in which he could gain no foothold. On the whole then the mass of house servants found the doors of advancement closed in their faces; the better tenth both themselves and through their better trained children escaped into the professions and thus found economic independence. The mass of servants remained servants or turned toward industry.

2. In lines of industrial coöperation the second attempt of the freedmen was made. It was a less ambitious attempt than that of the house servants and comprehended larger numbers; it was characterized by a large migration to cities and towns and entrance into work as teamsters, railway sections hands, miners, saw-mill employees, porters, hostlers, etc.

This class met and joined in the towns the older class of artisans, most of them connected with the building trades and together this class attempted economic advance. Outside the farmers it is this class that has attracted most attention, that has met all the brunt of the economic battle, and that are usually referred to in studies of this sort. What the outcome of this second attempt at economic freedom will be can only be divined by calling attention to the third method by which the Negro has sought the Way of Life.

3. Meantime, however, the freed had hands started forward by a third way that of land ownership. Most of those who got any start became share-tenants and a fourth of these succeeded in buying land. Those who bought land approximated economic independence, forming the closed plantation economy of the olden times but with colored owner, colored laborers, and colored tenants. In an increasing number of cases the colored store came in to help them and we have a complete system of what I have called the group economy.

4. The Group Economy. This fourth method is of striking importance but outside the country districts is little understood. It consists of such a coöperative arrangement of industries and services within the Negro group that the group tends to become a closed economic circle largely independent of the surrounding white

world. The recognition of this fact explains many of the anomalies which puzzle the student of the Negro American—pardon me, I should not say puzzle; nothing ever puzzles a student of the Negro—but that which makes our conclusions so curiously incoherent.

You used to see numbers of colored barbers; you are tempted to think they are all gone—yet today there are more Negro barbers in the United States than ever before, but at the same time a larger number than ever before cater solely to colored trade where they have a monopoly. Because the Negro lawyer, physician, and teacher serve almost exclusively a colored clientage, their very existence is half forgotten. The new Negro business men are not successors of the old; there used to be Negro business men in New York, Philadelphia, and Baltimore catering to white trade. The new Negro business man caters to colored trade. So far has this gone that today in every city of the United States with a considerable Negro population, the colored group is serving itself with religious ministration, medical care, legal advice, and education of children: to a growing degree with food, houses, books, and newspapers. So extraordinary has been this development that it forms a large and growing part in the economy in the case of fully one-half of the Negroes of the United States and in the case of something between 50,000 and 100,000 town and city Negroes, representing at least 300,000 persons the group economy approaches a complete system. To these may be added the bulk of the 200,000 Negro farmers who own their farms. They form a natural group economy and are increasing the score of it in every practical way. This then is the fourth way in which the Negro has sought economic salvation.



Having reviewed now historically these four sets of efforts let us ask next: What are the questions in the present problem of economic status? they may be summed up in four groups:

1. The relation of the Negro to city and country.
2. The relation of the Negro to group and national economy.
3. The influence of race prejudice.
4. The question of efficiency.

1. City and country. A fact of great importance in regard to the economic condition of the Negro is his rush city-ward so that today nearly a fourth of the colored population lives in cities and towns. This means an intensifying of the urban economic problem. The group of over two million town Negroes represents preëminently all of the economic problems outside of those connected with land-holding and agriculture.

Moreover the city Negroes contain probably a third of the intelligent Negroes, and have a rate of illiteracy of probably less than 33%. Here it is then in the city that the more intricate problems of economic life and race contact are going to be fought out. On the other hand the very presence of seven million Negroes in the country districts makes the economic problem there though simpler in quality of tremendous proportions in quantity and of added significance when we see how the country is feeding the city problems.

2. The group and national economy. Present conditions show that while the force of competition from without is of tremendous economic importance in the economic development of the Negro, it is not by any means final; in an isolated country the industry of the inhabitants could be supported and developed by means of a protective tariff, until the country was able to

enter into international trade with fully developed resources; that a similar kind of thing could be accomplished in a group not isolated but living scattered among more numerous and richer neighbors is often forgotten. There is therefore a double question in regard to the Negroes' economic advance; the first question is: How far is the Negro likely to gain a foothold as one of the economic factors in the nation's industrial organization? The second is, How far can the Negro develop a group economy which will break the force of race prejudice until his right and ability to enter the national economy are assured?

3. The influence of race prejudice. This brings us to a consideration of the kind of retarding prejudice which the Negro meets in the economic world. This may be stated briefly as follows: outside of all question of ability an American of Negro descent will find more or less concerted effort on the part of his white neighbors:

- (a.) To keep him from all positions of authority.
- (b.) To prevent his promotion to higher grades.
- (c.) To exclude him entirely from certain lines of industry.
- (d.) To prevent him from competing upon equal terms with white workingmen.
- (e.) To prevent his buying land.
- (f.) To prevent his defence of his economic rights and status by the ballot.

These efforts have had varying success and have been pressed with varying degrees of emphasis. Yet they must all be taken into account; strikes have repeatedly occurred against Negro foremen, of whose ability there was no complaint; the white office boy, errand-boy, section hand, locomotive firemen, all have before them

the chance to become clerk or manager or to rise in the railway service. The Negro has few such openings. Fully half of the trade unions of the United States, counted by numerical strength, exclude Negroes from membership and thus usually prevent them from working at the trade. Another fourth of the unions while admitting a few black men here and there practically exclude most of them. Only in a few unions, mostly unskilled, is the Negro welcomed as in the case of the miners; in a few others the economic foothold of the Negro was good enough to prevent his expulsion as in some of the building trades. Agitation to prevent the selling of land to Negroes has always been spread over large districts in the south and is spreading, and in a recent campaign in Atlanta the most telling cartoon for the influencing of white voters was one which represented the house of the candidate being built by black men. The black vote was of course disfranchised in this contest.

4. The last element in the economic condition of the Negro is the great question: How efficient a laborer is the Negro, and how efficient can he become with intelligence, technical training, and encouragement? That the average Negro laborer today is less efficient than the average European laborer is certain. When, however, you take into account the Negro's ignorance, his past industrial training, and the social atmosphere in which he works it is not so easy to say off-hand what his possible worth is. Certainly increasing intelligence has made him increasingly discontented with his conditions of work; the determined withdrawing of responsibility from the Negro has not increased his sense of responsibility; the systematic exploiting of black labor has hurt its

steadiness and reliability; notwithstanding all this there never were before in the world's history so many black men steadily engaged in common and skilled labor as in the case of the American Negro; nor is there a laboring force which judiciously guided seems capable of more remarkable development.

Having now glanced at the historic development and the present elements of the problem, let us take each economic group of Negroes and consider its present condition and probable future.

1. The 250,000 independents. This group includes 200,000 farmers, 20,000 teachers, 15,000 clergymen, 10,000 merchants, and numbers of professional men of various sorts. They are separated sharply into a rural group of farmers and an urban group. They are characterized by the fact that with few exceptions they live by an economic service done their own people. This is least true in regard to the farmers but even in their case it is approximately true; they, more than any other group of Negro farmers, raise their own supplies, and use their cotton as a surplus crop; through this alone usually do they come into the national economy. This group is the one that feels the force of outward competition and prejudice least in its economic life and most in the spiritual life. It is the head and front of the group economy movement, comprehends the spiritual as well as economic leaders and is bound in the future to have a large and important development, limited only by the ability of the race to support it. In some respects it is of course vulnerable. Many of the teachers for instance, depend upon educational boards elected by white voters, and upon philanthropy. There has been concerted action in the rural districts of the south to drive out the best Negro teachers and

even in the cities the way of the independent black teacher who dares think his own thought is made difficult, the teachers too in the great philanthropic foundations are being continually warned that their bread and butter depend on their agreeing with present public opinion in regard to the Negro. There is growing up however silently almost unnoticed a distinct Negro private school system officered, taught, attended, and supported by Negroes. Such private schools have today at least 25,000 pupils and are growing rapidly.

If we regard now the city group exclusively we find this is true :

The best class of this group is fully abreast in education and morality with the great middle class of Americans, their physical record in the thirty-four great life insurance companies is far better than the record of the Irish and as good as that of German Americans. They have furnished notable names in literature, art, business, and professional life and have repeatedly in Boston, New York, Philadelphia, Chicago, Washington, and in other great centers proved their right to be treated as American citizens on a plane of perfect equality with other citizens. Despite this, and despite the fact that this group is numerically small and without much inherited wealth, it has been struggling under two overwhelming burdens : first upon this group has been laid the duty and responsibility of the care, guidance, and reformation of the great stream of immigrants from the rural south simply because they are of the same race ; there is no claim or vestige of a claim that this small city group of risen Negroes is responsible for the degradation of the plantation, yet the whole community partly by thoughtless transference of ideas and

largely by deliberate intention has said, for instance, that when between 1840 and 1900, 50,000 strangers, ignorant, mistreated, careless, and sometimes vicious—that when this group precipitated itself on a city like Philadelphia that practically the whole responsibility of their training and uplifting be placed not upon the half million Philadelphians but upon a small group of 10,000 persons in that city who were related to them by ties of blood. This was a hard thing to ask and an unfair requirement, and yet if it is asked that Irish see to poor Irish immigrants, and Jews to poor Jews, at least this is always done: the helpers are given all aid and sympathy in their undertakings and their hands are upheld. In the case of the Negro however, every disability, every legal, social, and economic bar placed before the new immigrant must be endured by the city group on whom they were dumped. And that group must be judged continually and repeatedly by the worst class of those very immigrants whose uplift was calmly shifted to their shoulders by the city at large. What could be the result of this? It could only be the submerging of the talented tenth under the wave of immigration. This has happened repeatedly in great cities; New York had in the forties as intelligent a group of well-to-do thrifty and skilled Negroes as the nation has ever seen. Forty thousand strangers dropped on them. The city stimulated by white southerners formed a cordon around them and not only cut off every avenue of economic and social escape, but narrowed, beat, and crowded back the better class out of their vantage ground which men like my grandfather helped them gain by work and diligence and desert, and this group was literally drowned and suffocated beneath the deluge of immigrants and has never wholly recovered itself to this

day. In Philadelphia this rise and choking to death has taken place three distinct times within a single century. In Chicago today a silent battle of this sort to the death is taking place; there is a city where in law, medicine, and dentistry men of Negro blood have repeatedly stood in the foremost ranks of their profession, where Negroes have risen in economic coöperation to positions of authority and preferment, today when 25,000 strangers trained partially in the Mississippi delta of which my good friend, Mr. Stone, will tell you, when these men have been precipitated on Chicago a desperate effort is being made to level every Negro in the city by treatment and discrimination down to the disabilities and limitations of the least deserving of the group.

In the south the beating back of the leading group has not awaited the excuse of immigration. On the general ground of impudence or indolence this class of economic and social leaders have been repeatedly driven out of the smaller towns, while in the larger cities every possible combination and tool from the Jim Crow laws to the secret society and the boycott have been made time and time again to curtail the economic advantages of this class and to make their daily life so intolerable that they would either leave or sink into listless acquiescence. I know a Negro business man worth \$50,000 in a southern city. He has a white clientele and he tells me that he dare not buy a horse and buggy lest the white people may think he's getting rich and boycott him; a barber in another city built a fine house on a corner lot and in a single year his white trade was gone. A black business man in a country town of Alabama where I made some studies preparatory to this paper underbid his white fellow merchant



in buying cotton seed and was shot down for his shrewdness.

What then can this town group do in self defence? It can organize the Negroes about it into a self-supplying group. This organization is going on. So far has it gone that in cities like Washington, Richmond, and Atlanta a colored family which does not employ a colored physician is in danger of social ostracism; in the north this is extending to grocery stores; in Atlanta when I went there eight years ago the whole business of insurance for sickness and accident was in the hands of white companies. Today fully one-half of it has passed to black companies. This year I saw organized such a company with \$12,000 cash capital and this company today is taking \$700 a week in dues.

There are persons who see nothing but the advantages of this course. But it has its disadvantages. It intensifies prejudice and bitterness. The white collectors of Atlanta insurance companies for fear of white opinion would not take off their hats when they entered Negro homes. The black companies have harped on this, published it, called attention to it, and actually capitalized it into cold cash. Then too this movement narrows the activity of the best class of Negroes, withdraws them from much helpful competition and contact, perverts and cheapens their ideals—in fact provincializes them in thought and deed. Yet it is today the only path of economic escape for the most gifted class of black men and the development in this line which you and I will live to see is going to be enormous.

Turning now to the rural group of this independent class we come to the Negro land owners. Here first we run flat against one of those traditional statements which pass for truth because unchallenged: namely,

that it is easy for the southern Negro to buy land. The letter of this statement is true, but the spirit of it is false. There are vast tracts of land in the south that anybody black or white can buy for little or nothing for the simple reason that they are worth little or nothing. Eventually these lands will become valuable. But they are nearly valueless today. For the Negro, land to be of any value must have present value—he is too poor to wait. Moreover it must be

1. Land which he knows how to cultivate.
2. Land accessible to a market.
3. Land so situated as to afford the owner protection.

There are certain crops which the Negro farmer knows how to cultivate: to these can be added certain food supplies. Gradually intensive cultivation can be taught but this takes a long time. It is idle to compare the south with Belgium or France. The agricultural economy of their lands is the result of centuries of training aided by a rising market and by law and order. The present agricultural economy of the south is but a generation removed from the land-murder of a slave régime. No graduate of that school knows how to make the desert bloom and the process of teaching must be long and tedious. Meantime he must live on such crops as he knows how to cultivate. Moreover bad roads, comparatively few railroads, and few navigable rivers throw much of this land out of usefulness. But even more important than all this: the black farmer must seek the protection of some community life with his own people and he finds that in the black belt. But it is precisely in this black belt that it is most difficult to buy land; here it is that the capitalistic culture of cotton with a system of labor peonage is so profitable that land is high; more over in

many of these regions it is considered bad policy to sell Negroes land because a fever of land owning "demoralizes" the labor system so that in the densest black belt of the south the percentage of land holding is often least among Negroes—a fact that has led to curious moralizing on the shiftlessness of black men. The country does not yet realize that the cutting up of southern plantations has ceased, and that under the new slavery of Negro labor there has begun an astounding and dangerous concentration of landholding in the south; this is shown not simply by the increase of the average size of farms in the central south from 144 to 155 acres in the last decade but these figures must be modified enormously by the fact that these farms do not belong to single owners but are owned in groups of as high as 40 or 50 by great landed proprietors. In the south there are 185,000 owners who hold from two to 50 farms each and there are 5000 owners who have over 20 farms apiece. In the South Central states alone 800 men own a tract of land larger than Massachusetts, Rhode Island, and Connecticut combined, and but a few days ago I stood on the land of a white Alabama land-owner who held 50 square miles and would not sell a single acre to a black man. This land is the best land of these regions. There are still other regions in the south, and large regions, where black men can buy land at reasonable terms but it is usually land poorly situated as regards market, or unhealthy in climate, or so placed as to afford the owner poor schools and lawless and overbearing white neighbors.

Now add to this fact the realization of the training and character of the Negro American farmer. We continually discuss and criticise these farmers as though they were responsible trained men who carelessly or

viciously neglect their economic opportunity. They are on the contrary unlettered men, trained consciously and carefully to irresponsibility, to whom all concepts of modern property and saving are new and who need benevolent guardianship in their upward striving. Such guardianship they have in some cases received from former masters and in this way a considerable number of the present landowners first got their land. In the great majority of cases however, this guardianship has consisted in deliberately taking the earning of the Negro farmer and appropriating them to the use of the landlord. The argument was this: "These Negroes do not need this money—if I give it to them they'll squander it or leave the plantation; therefore give them just enough to be happy and keep them with me. In any case their labor rightfully belongs to me and my fathers and was illegally taken from us." On the strength of this argument and by such practices it is a conservative estimate to say that three-fourth of the stipulated wages and shares of crops which the Negro has earned on the farm since emancipation has been illegally withheld from him by the white landlords, either on the plea that this was for his own good or without any plea.

Would this wealth have been wasted if given the laborer? I waive the mere question of the right of any employer to withhold wages—and take the purely economic question: Is the community richer by such practices? It is not. The south is poorer. The best Negroes would have squandered much at first and most would have squandered all, but this would have been more than offset by the increased responsibility and efficiency of the resulting Negro landholders. Nor is this mere pious opinion. There is in the south

in the middle of the black belt, a county of some 700 square miles, Lowndes county, Alabama; it contained in 1900 31,000 Negroes and 6000 whites. It was the seat of the most strenuous type of American slavery—with absentee owners, living at ease in Montgomery, great stretches of plantation with 500 to 1000 slaves on each driven by overseers and riders. There was no communication with the outside world, little passing between plantations and even today a 48 hours rain turns half the county into an impassible bog. The Negroes were slothful and ignorant—even today forty years after emancipation the illiteracy among those over ten is nearly 70%, and of the males of voting age over 72%. I know something of the south from ten years' residence and study, and outside of some sections of the Mississippi and Red river valley, I do not think it would be easy to find a place where conditions were on the whole more unfavorable to the rise of the Negro. The white element was lawless, the Negroes thoroughly cowed, and up until recent times the body of a dead Negro did not even call for an arrest. In this county, during the last ten years there has been carried on a scheme of coöperative land buying under the Calhoun School. It was asked for by a few Negroes who could not get land; it was engineered by a Negro graduate of Hampton; it was made possible by the willingness of a white landlord to sell his plantation and actively further the enterprise by advice and good will. It was capitalized by white northerners and inspired by a New England woman. Here was every element in partnership and the experiment began in 1897. It involved the buying of 3000 acres by 100 men. It encountered all sorts of difficulties: the character and training of the men involved; the enmity of the surrounding white

population with a few notable exceptions; the natural suspicion of the black population born of a régime of cheating; the low price of cotton until the last two years, and several years of alternate flood and drouth; and the attempts of neighboring whites to secure the homesteads through mortgages. And yet what are the results? Nine years ago not one of the 100 men had a deed to a single acre of land; today they hold 77 warranty deeds conveying to them over 3000 acres of absolutely unencumbered land. Of the 100 men who tried to buy land seven gave up and 18 were sent away after trial—25 in all. Seven are still paying for their land but owe only small sums. Of the men who tried to buy land 29 were born in slavery, 37 in reconstruction times, and the rest since 1875. I rode over that land a week ago with the black man who managed the enterprise. He knew every farm, and every person, and their personal history. All around pretty three or four room painted cottages were arising. Twenty-three one room cabins still remain, but there are 34 two room houses and 29 of three or more rooms. The Negroes round about call this the "Free Land"—there are no overseers and riders roaming about whipping the workers and seducing their wives and daughters; there is an eight months' school in their midst, a pretty new church, monthly conferences, a peculiar system of self-government, and a family life untainted in a single instance.

And yet: if ten years ago a planter from Lowndes County had appeared here he would have told you of a lazy shiftless set of Negroes who had to be driven to work, who squandered their money in whiskey and gambling, who did not buy land because they did not want to. He would have told you that, and what's

more he would have sincerely believed every word he said. Yet in this very place comes an experiment which calls out selects and choses in one small corner of this county out of a neighborhood of perhaps 400 families, some 75, who in ten years have been transmuted into a respectable peasantry paying taxes on \$25,000 worth of property. Nor does this exhaust the possibilities of this community; if the land were available the same experiment could be repeated—men are clamoring for a trial but it is doubtful if they will get it for one man owns 50 square miles about there and he doesn't sell to Negroes.

My honest belief is that what has been done in Lowndes County under the Calhoun school and the sensible far-seeing guardianship of John Lemon, Pitt Dillingham, and Charlotte Thorn, could be duplicated in every single black belt county of the south.

That it will be done to some extent is my hope, and on that hope is based my faith in the economic future of this rural group.

I have dwelt upon this group of 250,000 independent men because in them lies the real economic future of the Negro. They are the examples, the leaders, the test. Let us now turn to the class which I call the *struggling*; they include the artisans, the industrial helpers, the servants, and the farm tenants. This group is characterized by three things:

1. It is sharply divided into a city and a country group.
2. While it has a large significance in the group economy of the Negro American—its overwhelming meaning is for the industry of the nation as a whole.
3. Its great hindrance is the necessity of group substitution in the place of individual promotion.



4. Its greatest enemy is the trade union.

5. Its greatest danger is immigration.

We may briefly review these points. The rural group consists of farm tenants. In a large number of cases farm tenancy has been an aid to land buying; in many cases farm tenancy has been a school of thrift and saving; in the majority of cases it was the only available system after the war, so long as the nation refused to do its bounden duty and furnish free land; and yet, when all this is said, it remains true that the system of farm tenancy as practiced over the larger part of the south today is a direct encouragement to cheating and peonage, a source of debauching labor, and a feeder of crime and vagrancy. It demands for its support a system of mortgage and contract laws and a method of administration which are a disgrace to 20th century civilization, and for every man which the system has helped into independence it has pushed ten back into slavery. It is claimed that honest and benevolent employers have made this system a means of uplift, development, and growth. This is perfectly true in thousands of cases as I can testify from personal knowledge; but at the same time it remains true, and terribly true that any system of free labor where the returns of the laborer, the settlement of all disputes, the drawing of the contract, the determination of the rent, the expenditures of the employees, the prices they pay for living, the character of the houses they live in, and their movements during and after work—any system of free labor where all these things are left practically to the unquestionable power of one man who owns the land and profits by the labor and is in the exercise of his power practically unrestrained by public opinion or the courts and has no fear of ballots in the hands of

the laborers or of their friends—any such system is inherently wrong, and if men complain of its results being listlessness, shiftlessness, and crime, they have themselves to thank. To the man that declares that he is acting justly and treating his men even better than they treat themselves, it is a sufficient answer to say that he is an exception to the rule; that the majority of the landholders are as indifferent to the welfare of their men as employers the world over, and that a large minority consciously oppress and cheat them. The best employer suffers therefore from the sins of the average. The only future of these tenants which means salvation is landholding and this is coming slowly. However shiftless and imprudent the Negroes of Mississippi can be proven to be, some of them somehow in one generation have bought 20,000 farms worth 18 millions of dollars. If they had been encouraged by such economic leadership as is found in Lowndes County this record could have been multiplied by ten.

The city group of this class of workers consists of perhaps 125,000 skilled artisans, 575,000 semi-skilled and ordinary industrial helpers, and 500,000 servants. The servant class have lost their best representatives because it offers a narrower and narrower method of uplift, because of foreign competition, and because the temptations to Negro girls in house service are greater than in any single industry. It must be remembered that the mulatto is the product of house service in the south. With the skilled and semi-skilled workers the industrial history has been this: groups of Negroes have been excluded entirely from certain trades and admitted to others. They held the second set by working for lower wages and they forced themselves into certain industries from which they excluded the same lever of low wages.

This gave the trade unions a chance to fight Negroes as scabs. In some battles the unions won and kept excluding Negroes. In other cases the Negroes won and were admitted to the unions. Even in the union, however, they were and are discriminated against in many cases. On the whole in the last ten years the Negroes have forced back the color line, but undoubtedly increased the color-prejudice of workingmen by so doing. In the near future this class of Negro American workingmen are going to have the struggle of their lives and the outlook indicates that by the fulcrum of low wages and the group economy, coupled with increasing efficiency, they will win. This means that the Negro is to be admitted to the national economy only by degrading labor conditions. The alternative offered is shameful and could be easily avoided if color prejudice did not insist on group substitution for Negroes in industry. I mean by this that a single individual or a few men of Negro descent cannot gain admittance to an industry usually. Only when they can supply workmen enough to supply the whole industry or the particular enterprise the black can be admitted. And immediately this substitution is made the occasion of a change in labor conditions—less wages, longer hours, worse treatment, etc. Thus often by refusing to work beside a single black man, workingmen in an industry suffer a general lowering of wages and conditions. The real question of questions then in the south is how long will race prejudice supply a more powerful motive to white workingmen of the south than decent wages and industrial conditions. To-day the powerful threat of Negro labor is making child labor and fourteen hour days possible in southern factories. How long will it be before the white workingmen discover that the interests that bind

him to his black brother in the south are greater than those that artificially separate them? The answer is easy: that discovery will not be made until the present wave of extraordinary prosperity and exploitation pass and the ordinary every day level of economic struggle begins. If the Negro can hold his own until then, his development is certain.

I now come to the final group of two million common laborers. A million and a quarter are farm laborers, 500,000 are laborers of other sorts, and the other quarter million are washerwomen. This group includes half the breadwinners of the race and its condition is precarious. In the southern country districts the laws as to contracts, and wages, and vagrancy are continually forcing the lower half of the laborers into crime and pauperism. In most southern states the breaking of a contract to work made between an ignorant farm hand and a land owner and covering a year's time is enforced to the letter and its breaking on the part of the laborer is a penitentiary offense. My observation is that three-fourths of the homicides in country districts in which Negroes are the killed or the killers arise from disputes over wage settlement. The condition of the country laborer in the south has become so intolerable that he is running away to the cities. A demand for immigrants to fill his place is being heard and I am curious to see the result. Certainly no immigrants can stand the present contract and crop lien system and above all they cannot stand the lawlessness of the country districts where every white man is a law unto himself and no Negro has any rights which the worst white is bound to respect. So bad has this lawlessness been in parts of the gulf states that concerted and commendable action has been taken against white cappers and a few peonage

cases brought to court. But these efforts have but scratched the surface of the real trouble.

On the whole there are four general cures for the economic submersion of this class of Negro Americans: first, the classes above must be given every facility to rise so as not to bear down upon them from above; secondly, the system of law and courts in the south by which it is practically impossible in the country districts and improbable even in cities for a black laborer to force justice from a white employer must be changed. Thirdly, Negro children must be given common school training. The states are not doing it today, the tendency is in my state to do less, and the United States government must step in and give black children common school training. Finally, the black laborer must have a vote. For any set of intelligent men like you, to think that a mass of two million laborers can be thrust into modern competitive industry and maintain themselves, when the state refuses their children decent schools and allows them no voice or influence in the making of the laws or their interpretation or administration, is to me utterly inconceivable. I have told you of those seventy-five landholders in Lowndes County—owning \$25,000 worth of land, building new and better houses and working steadily and saving. And yet, gentlemen, not a single one of those men under the new constitution of Alabama has the right to vote: they cannot say a word as to the condition of the roads that pass their farms, the situation of the schools, the choice of teachers, the kind of county officers or the rate of taxation. They are just as absolutely disfranchised as the worst criminal in the penitentiary and as I am in Georgia. You can twist this matter up and down and

apologize for it and reason it out—its wrong, and unjust, and economically unsound, and you know it.

To sum up then the conclusions of this paper: half the Negro breadwinners of the nation are partially submerged by a bad economic system, an unjust administration of the laws, and enforced ignorance. Their future depends on common schools, justice, and the right to vote. A million and three quarters of men just above these are fighting a fierce battle for admission to the industrial ranks of the nation—for the right to work. They are handicapped by their own industrial history which has made them often shiftless and untrustworthy but they can, by means of wise economic leadership, be made a strong body of artisans and landowners. A quarter of a million men stand economically at the head of the Negroes, and by a peculiar self-protecting group economy are making themselves independent of prejudice and competition. This group economy is extending to the lower economic strata.

## THE ECONOMIC FUTURE OF THE NEGRO

### THE FACTOR OF WHITE COMPETITION

ALFRED HOLT STONE

This is too broad a subject to be treated comprehensively within the limits of this paper. Hence I shall address myself only to what I believe to be the most important question in any practical consideration of the negro's economic future,—the factor of white competition.

I shall not exhaust any part of my time in a discussion of census statistics. Such figures, save in a general way, do not speak for themselves. They must be interpreted. As a result we have a variety of conflicting deductions drawn from the same statistical material. A census volume in some respects resembles the Bible. Each is a repository of truth,—and from the one we can fortify almost any economic bias, while from the other we can satisfy any religious opinion we happen to possess. Two courses are open to those interested particularly in this branch of the subject; either to study the mass of data at first hand, and work out one's own conclusions, or accept such findings of others as appeal most strongly to one's judgment or predilections. If I can contribute anything whatever of value to this discussion, I am persuaded it will be by drawing upon those observations and experiences of common life which, to borrow an idea of Lord Erskine, after all are themselves of the essence of truth.

At the outset of our speculations upon the future of the negro we are confronted with our ignorance of his present economic status. We are in doubt about even the elementary fact of his present accumulated wealth.



Mr. Schurz places it at \$800,000,000. Mr. Edward Atkinson, shortly before his death, accepted a *New York World* estimate of \$750,000,000. Mr. Kealing, a colored authority, claims \$1,000,000,000. A committee of this association, under the chairmanship of Prof. Walter F. Willcox, and including Dr. Dubois in its membership, places the figures at "approximately \$300,000,000." And after we have agreed upon such figures what do they tell us of the stability and rate, of even the extent, of economic progress? In the answer to this question are involved two widely accepted fallacies; first, that the negro began life forty years ago with nothing but his freedom; second, that the period of his emancipation has been one of marvelous economic achievement. It is easy to prove progress if permitted to take zero as our starting point and measure of comparison. Frederick Douglass' plea, that the negro race be not judged by the heights to which it had attained, but rather by the depths from which it had come, has met with such a response that the acceptance of all it implies has become a cardinal tenet with most of those who discuss the negro's industrial life. It is both pleasanter and easier to accept this appeal than it is to test its merit. But I take it that we are not willing to flounder about in a maze of speculation, satisfied on the one hand with fulsome eulogies of doubtful achievements, or, upon the other, content to condemn a race to economic servitude without a trial or upon false testimony. If we would know the truth as to where we are, we should at least endeavor to learn how far we have really come. This means a study of the economic status of the negro in 1865, and this I have time only to briefly touch upon. I merely suggest for your consideration certain facts in this connection, tending to

disprove the reiterated assertion of the negro's pauperism at the time of his emancipation. We seem to overlook the fact that there were half a million free negroes (487,970) in this country in 1860, distributed throughout practically all the states of the union. In their ranks were to be found men engaged in nearly every form of industrial enterprise followed by such persons today. Another fact is that the four million (3,953,760) slaves of 1860 occupied in 1865 an apparently impregnable economic position. They furnished a great proportion of the skilled labor of the entire South, and in many parts of it enjoyed an absolute monopoly of this and the field of common labor as well. The evidence as to such conditions is conclusive, but it need not be sought in census reports. It is to be found in the press of the period; in the reported proceedings of negro industrial bodies; in the correspondence of private individuals who went South after 1863; in the reports of numerous freedmen's aid commissions and societies; and to some extent in the official reports of agents of the Freedmen's Bureau. It is to be had also in pamphlets and other writings of negroes themselves. We may not be able to say that in 1865 the race had accumulated a specific number of dollars, though the amount was well into the millions. We cannot do that even in 1905. We can learn enough, however, to realize that we are only beclouding the truth when we speak of the negro's economic progress as an achievement of the past forty years. It seems to me, then, that if we seek to measure such progress by present property holdings, it is incumbent upon us to answer the questions,—How much has the negro accumulated during the last forty years? and, How much had he acquired during the preceding hundred and forty?

It is inconceivable that any people who could increase in numbers from four and a half millions in 1860 to nine millions in 1900 could fail to also increase their property during that period. In discussing as something wonderful this very natural increase we lose sight of factors and considerations which must enter into any estimate of the extent to which such increase means genuine and permanent economic racial progress. How far has it been a mere advance along lines of least resistance? In what degree is it indicated by the success of more or less isolated groups, under favorable local conditions? How has this acquisition of property kept pace with that of others about them, and how far does it represent only the crumbs from the rich man's table? How great a proportion is held by the exceptional few and how much distributed among the masses? How much of the total is traceable to the gifts and bequests of white ancestors? To what extent does this increase mean the holding of their own, or actual, positive progress, in the face of slowly but steadily increasing white competition? In how far is it attributable to the training and steadying influences of the period of slavery? In what proportion do the older and younger elements of the race, respectively, contribute to the total wealth of the whole? These are some of the considerations which must be taken into account, in an estimate of the future based upon something more tangible and stable than the skillful handling of figures or flatteringly expressed sentiments of good will.

The greatest asset in possession of the negro of 1865 was the great, salient fact that at that time, in the section in which he lived, he was practically without the competition of the white man. Today the most portentous figure that looms upon his economic horizon is

that of his white competitor. But even in 1865 he was slowly receding before such competition in the North. To me the most significant utterance at the New York Convention of the National Negro Business League last summer was the note of warning sounded in Mr. Wanamaker's address. He recalled the fact that Philadelphia once had a number of negro business men in whom the local business world took pride. But, he said, "many of them lost their business before they passed away. As an old business man I am speaking the fact; they lost their business because the Swiss, the Germans, and others who were American white men did that same business better than they did it. Their color had not the least thing to do with it."<sup>1</sup>

In an address in Brooklyn last summer, Mr. Samuel R. Scottron voiced the apprehensions of a thoughtful, courageous man, not dazzled by the outer show of the oft proclaimed "marvelous progress" of his people. At the same time he gave an insight into the economic position of the negro in New York half a century ago. He said: "I have hardly to go beyond the years of my own individual experience hereabouts to find cause for grave doubt. Note in this city, which has grown so rapidly that it seems to have been raised by the touch of a wizard's wand, the place in its industrial history that the negro held forty or fifty or more years ago, the opportunities that were his to build up and to accumulate, and how these opportunities were neglected! This is evidence of a people easily overcome; no, not overcome, but simply retiring without a contest from the places which were not only theirs, but concededly theirs, before the influx of those peoples who represent all that remains of the ancient Greeks and Romans.

<sup>1</sup> New York Age, August 24, 1905, p. 2.

The Italian, Sicilian, Greek, foreign to America's language and institutions, occupy quite every industry that was confessedly the negro's forty years ago. They have the bootblack stands, the news-stands, barber-shops, waiters' situations, restaurants, janitorships, catering business, stevedoring, steamboat work, and other situations once occupied by negroes; and furthermore, occupy the very houses which were once the homes of negroes, only the negro paid rent, while the Italian is now the owner. Look at West Broadway, Lawrence Street, Thompson Street, Sullivan Street, Bleecker Street, West Fourth Street, Thomas, Worth and Leonard Streets, in New York City today, and think of these streets forty, or even thirty years ago. Look at the ground upon which we now stand, and on the section about one mile square known in early days as Weeksville, after one of our race, named James Weeks. Think of those of our people who occupied all these places when building lots could have been bought for \$25 and \$50 and \$100 each, and look upon the present occupants,—Italians. Think of our city's most famous caterers of forty or fifty years ago. They were the Downings, Mars, Watson, Vandyke, Ten Eyck, Day, Green, and others, all colored. Their names were as familiar and as representative in high class work as are Delmonico and Sherry today. Who have succeeded to the business that these colored caterers had in those days? With one exception, Italians. Not one has left a child in an enlarged business of the same line. With all of us the business dies with the fathers. Is this showing a capacity to build?" Again referring to this former negro quarter he says: "I walked for blocks and blocks recently through that district, I found it strewn with little stores, mainly of produce, native and foreign;

every store kept by an Italian and scarcely one in which there was not a negro present as a buyer. One place only was kept by a negro, apparently and that was a pool or billiard room filled with young men who were making the echo sound. The guitar, fiddle, banjo, melodeon, and even piano, were all giving evidence of happiness and contentment amongst our people; but the Italian was doing the business. Certainly these gloomy pictures are not all that the negro has to show in forty years hereabouts, but it does show that he has by no means taken advantage of the position which he once held. If we were at the top at any time in the past in any line of industry, why are we at the bottom of it today? That's the question. In lines concededly belonging to the negro years ago he has been entirely superseded by the Italian. How far in this direction can we go without getting off the earth entirely? These changes the negro cannot lay to color prejudice, surely. Using this as a basis of calculation, what could one say of the 'Future of the American Negro?'<sup>1</sup>

Along the same line, an editorial in the leading American negro newspaper declares that a small Italian colony near New York, under the observation of the writer, had "acquired more real estate and developed more business interests of one sort and another in the past four years than have ten times as many Afro-Americans in the same locality in the past forty years."<sup>2</sup>

If we go to Chicago, we find the same testimony from another thoughtful and competent observer, Mrs. Fannie Barrier Williams. She writes as follows: "It is quite safe to say that in the last fifteen years the colored people have lost about every occupation that

<sup>1</sup> *New York Age*, July 27, 1905, p. 7.

<sup>2</sup> *New York Age*, January 12, 1905, p. 2.

was regarded as peculiarly their own. Among the occupations that seem to be permanently lost are barbering, bootblackening, cooking, hotel and restaurant waiting, janitors in office buildings, elevator service, and calceining." She answers her own question as to the cause of such loss in these significant words: "White men wanted these places and were strong enough to displace the unorganized, thoughtless and easy-going occupants of them. When the hordes of Greeks, Italians, Swedes, and other foreign folks began to pour into Chicago, the demand for the negro's places began. One occupation after another that the colored people thought was theirs forever by a sort of divine right fell into the hands of these foreign invaders. This loss was not so much due to prejudice against color, as to the ability of these foreigners to increase the importance of the places sought and captured. The Swedes have captured the janitor business by organizing and training the men for this work in such a way as to increase the efficiency and reliability of the service. White men have made more of the barber business than did the colored men, and by organization they have driven every negro barber from the business district. The 'shoepolisher' has supplanted the negro bootblack, and does business in finely appointed parlors, with mahogany finish and electric lights. Thus a menial occupation has become a well organized and genteel business with capital and system behind it."<sup>1</sup> As to servant girls in the same city, Mrs. Williams says that white girls prefer to pass by the clerkship, which colored girls cannot get, and enter schools of domestic science to prepare themselves for trained domestic service, and to fill places scorned by colored girls though open to them. "It is

<sup>1</sup>New York Age, June 15, 1905, p. 2.



really alarming," she says, "to look forward to the next decade, when the great changes now going on in the field of domestic science shall have been worked out and developed into a profession. Where will our girls be? Just about in the position of our barbers in the large cities, who have allowed themselves to be forced into the menial service of blacking the shoes and brushing the clothes of their former customers."<sup>1</sup>

On the same subject, but in a different part of the country, *The Richmond Negro Criterion* warns the negroes that they are losing their hold upon a, to them, vital occupation. It says: "Our young women must take these positions while they can get them. . . . We are told that they (the foreign immigrants) will turn in the direction of the South. When they come, woe, woe to the negro. His places will be gone, to come no more. The time is fast approaching when domestic employment for females of our race will be as far gone as that of the barber and those who formerly worked in the factories."<sup>2</sup>

The *New York Age* has commented editorially on the fact that negroes "in the Pullman service are up against the relentless competition which has displaced them to such a disastrous extent in the hotel and restaurant service." It also notes the fact that already they have been supplanted in the dining car service of some of the Northwestern railroads.<sup>3</sup> It has been only a few years since an effort was made to supplant the colored employees of the New York Union League Club. It was

<sup>1</sup> *New York Age*, September 28, 1905, p. 7.

<sup>2</sup> Reproduced and endorsed in *N. Y. Age*, Sept. 28, 1905, p. 4.

<sup>3</sup> *N. Y. Age*, June 8, 1905, p. 2. Since this paper was read I have seen a news item to the effect that the N. Y. Central R. R. has introduced white waiters on one of its dining-cars.

an open secret that only traditional and political considerations caused the failure of the movement.

We may go to Kansas and hear the same cry of the disastrous results of white competition. The Topeka bootblacks have been supplanted by Greeks, and *The Plaindealer* thus accounts for the change: "The negro is the best bootblack . . . but he studied too much about base-ball, policy, craps, etc., and not enough about the comfort of his patrons. He was earning enough to make him feel as though the people who patronized him were under obligations to him, and would quit working on a customer to jolly with a bystander."<sup>2</sup>

From Massachusetts comes the same story, with the addition of other factors inimical to the negro's future welfare. In a discussion of the economic position of the negro in Boston, at the South End House, in April last, Mr. John Daniels said: "There are in Boston today probably 15,000 negroes. The percentage of employment among them is larger than that for the white population as a whole, or for any element of it. This statement, however, is not to be regarded altogether optimistically. In the first place, the figures showing percentage of employment are open to the doubt that most figures of the census are open to. Then even if the figures are correct they go to show how much the negroes have to work, how severe the economic stress upon them is. This applies especially to negro women, among whom the percentage of employment is twice as great as that among the whites." "It is not a thing to rejoice over," continues Mr. Daniels, "but a thing to be regretted, that so many negro women have to work. Turning now to the kinds of work the negroes are engaged in, we find the majority of them engaged in the

<sup>2</sup> N. Y. Age, May 25, 1905, p. 2.

meaner sorts of labor, unskilled labor for the most part, and commanding only the pay of unskilled labor. We find very few of them in the handicrafts or the trades. The problem, then, is not so much to get more work as to get better work." At the same meeting the Rev. Henry J. Callis, a colored minister, made the statement that today in the city of Boston "not a single negro church building is owned by its congregation."

We have the same testimony to the condition of the Boston negro as regards domestic service that is so abundant on the question of his practical exclusion from the trades and handicrafts. The Bulletin of the Inter-Municipal Committee on Household Research is authority for the statement that the Boston Reform League has been unable to secure an equal chance for colored girls in obtaining employment, and cannot secure places for more than half who apply. We are told that "Negroes who specialize in house-work duplicate the experience of a colored butler for whom the League tried for three months to find a place, but without success. He was neat in his person and good looking, and was highly recommended. He stated that he had answered, in all, two hundred advertisements, but he was invariably refused the position simply because he was a colored man. It is not surprising, therefore, that on leaving Boston to return to New York, he said: 'These Boston people beat me. They will have mass-meetings and raise money to help Mr. Washington educate the "niggers" down South, but they will let a decent Northerner starve before they will give him a chance to earn an honest living'".<sup>2</sup>

<sup>1</sup> New York Age, May 4, 1905. p. 1.

<sup>2</sup> Bulletin. N. Y. City, May 1905, p. 15.

Dr. Wm. N. DeBerry, for five years pastor of a colored congregational church in Springfield, Mass., has made an interesting study of the general condition of his people in that city. I cannot go into the details of his report, but he speaks in very plain language of the effects of "prejudice and ostracism," "intense antipathy," and kindred race feeling. He does not try to minimize the faults of the negro, but speaks frankly of "the malady of disunion", "bitter intolerance and strife" in their religious bodies, and of "the worthless element, with no visible means of support". It is to the economic feature of his report that I wish to call your attention. He found on January 1, 1905, a negro population of 1253, with 375 men and 533 women. He enumerates the number of these in each occupation, and asks the question: "Why is it that eighty-six per cent. of the colored labor in this city is confined to the lower strata of industry?" His answer is that the large number who "are fitted for other occupations are debarred by pure race prejudice". "Three hundred and twenty black men out of 375", he continues, "are confined to certain servile types of employment in Springfield, not because they are all unfit for anything higher, but because race prejudice has closed the door of industrial opportunity against these men as a class. But they continue to knock daily at this closed door, and plead only for the chance to fill such places as are open where the service they can render is in demand." He says they only ask "that as a class they may be emancipated from the merciless industrial ostracism which shuts out the capable and worthy negro because God chose to create him black." . . . "That for which they most earnestly plead at the hands of their more favored fellow citizens is merited industrial opportunity." And Dr. DeBerry says that

his study should be "of more than local significance, inasmuch as the situation here in Springfield is fairly typical of the black man's condition throughout the North."<sup>1</sup>

Generally, throughout the North, as Dr. DeBerry tells you, the story is the same. With variations of detail we find practically the same situation presented in New York, Chicago, Boston, Philadelphia, Springfield, and sections of New Jersey, Ohio, Indiana, Kansas and the Northwest. The negro has lost ground. In a plea for industrial education and opportunity, Booker T. Washington says: "No one can fully appreciate what I am saying who has not walked the streets of a Northern city day after day seeking employment, only to find every door closed against him on account of his color, except in menial service."<sup>2</sup> We need hardly seek for further cumulative evidence on a fact now admitted by all save the ignorant; viz., that in the Northern section of our country, with all its wealth, with all its splendid industrial achievements, with all its promise to the child of the white man, the door of economic opportunity is closed before the faces of the masses of the negro race, even though it reluctantly yield to the knock of the chosen few.

There seem to be two contributing causes to this situation; inefficiency, unreliability, and lack of thrift upon the part of the negro, and prejudice upon the part of the white man. I shall not attempt to weigh the one against the other, to see where the greater responsibility lies. Upon the statements of eminent negro authorities their people have themselves to blame certainly in very

<sup>1</sup> Springfield Weekly Republican, Feb. 10, 1905. I am indebted to Dr. DeBerry for a copy of his report.

<sup>2</sup> Future of the American negro, p. 76.

great measure. I can hardly believe that any considerable body of laboring men, regardless of color or race, anywhere have ever been successfully and permanently deprived of their opportunities by any other body of men, unless the latter proved themselves the more competent to do the work sought by the two.

It would seem then that it is to the South that the negro masses must look for their economic salvation. As I have quoted Booker T. Washington on the Northern situation, I may quote him now on the Southern. Of the latter he says: "Whatever other sins the South may be called upon to bear, when it comes to business, pure and simple, it is in the South that the negro is given a man's chance in the commercial world.<sup>1</sup> Again, he says: "It has been my privilege to study the condition of my people in nearly every part of America; and I say, without hesitation, that, with some exceptional cases, the negro is at his best in the Southern states."<sup>2</sup>

For some years I have attempted to study the social and economic relations between white and black races wherever they come in contact, but have not amalgamated,—as in this country, some of the West Indies, Africa, and Australia, and I have only to confirm Mr. Washington's opinion. To me it seems that the plainest fact today confronting the negro is that there is but one area of any size in the world wherein his race may obey the command to eat its bread in the sweat of its face, side by side with the white man. That area is composed of the Southern United States. I cannot go into details and sift the evidence for you. You may find it in the observations of travelers, distinguished and

<sup>1</sup> Up from slavery, p. 219-220.

<sup>2</sup> Future of the American Negro, p. 202.

obscure, in the writings of resident and foreign historians, economists, and sociologists, in the complaints of the black man and his friends, in the enactment of laws and the recorded operations of prejudice. The evidence is voluminous, and it seems to me conclusive, that only in the land wherein for so many years the world has been taught to believe that "the white man despises manual labor," may the black man work by his side. Washington says that "wherever the negro has lost ground industrially in the South, it is not because there is prejudice against him as a skilled labourer on the part of the native Southern white man."<sup>2</sup> This absence of prejudice applies in the case of the skilled white Southern laborer as well as in the case of the employer of such labor. This is not difficult to account for. Here is where the negro profits by the drawing of the general Southern color line; through this and the obliterating effect of generations of contact upon what would elsewhere seem to be natural repugnance to physical association. The white mason and carpenter work side by side with the negro because they know that that line exists for them just exactly as it does for the lawyer or doctor. The negro recognizes that the white man is not lowered one particle in the estimation of the community because of his occupation. Each knows that the status of the other remains unchanged—the negro is still a negro, the white man still a white man. In a country where lines are drawn between races this has its significance; in one where the line is not racial, but is drawn between occupations, or depends upon wealth or other conditions, it would have no such significance. Mr. Bryce speaks of race feeling and the

<sup>2</sup> Same. p. 78.



drawing of the color line in South Africa. He relates the incident of a white man accepting employment under a native of means, but only on condition that the latter call him "boss". This may have been incomprehensible to Mr. Bryce, but a Southern man would have known what was going on in the white colonist's mind. It is my explanation over again. As long as he had verbal evidence that the native negro still recognized the racial difference between them, that one was still white and the other still black, he had no objection to the altered outward relation.

But while we may be interested in this, as in any other abstract racial phenomenon, for the negro the cause of the condition is of less importance than is the duration of the condition itself. How long will it be before the Northern attitude impresses itself upon the Southern racial industrial situation, or the Northern situation be reproduced in the South? This is difficult to answer, but we may see two principal causes operating in this direction. One of these is the general spread of trade unions in the South, the other is an increasing demand for better industrial service than the South hitherto has been satisfied with from the negro.

As to the second of these influences a discussion which throws some light upon the Northern situation is also suggestive of the probable course of Southern people, if they should ever awaken to a realization of the difference between competent and incompetent service. Speaking of the disastrous loss of employment by the Boston negro, Mr. Archibald H. Grimke, of that city, states that it is not due entirely to prejudice, though he says that "all things being equal, the average Northern white man prefers to be served by waiters of his own race and color." He says: "The battle for employ-

ment, for bread, has gone against us as a race at these three points in the domestic and hotel service of Boston. At one point our service body has been almost wiped out, while in the others we are yielding ground, and have been doing so for years, before aggressions of white servant bodies." Summing up the various causes behind this loss, he says: "the colored coachman got a black eye when people began to travel abroad and to discover in England, for instance, how much more an English coachman knows about horses and their care than a colored one in Boston. The English coachman not only knows how to sit on his box and hold the ribbons with style, but he is a master of horse lore. He keeps abreast with up-to-date methods and utilities in his world. He is, in fact, a horse doctor of no mean attainments and skill. He has fitted himself to do his work not in one line only but in an all-round way. And as the colored coachman was inferior to him in this respect, he had only to come and see and conquer wherever he and his colored competitor engaged each other in the struggle for employment, for bread."<sup>1</sup>

Among Southern men who patronize barber shops there are the fewest number who will go to one conducted by negroes after having once tried "white shops". This is true despite the deep-rooted general Southern prejudice in favor of the negro for all forms of personal service. What is true in the case of the barber is likely to be repeated in other lines of work, more or less associated, when Southern people begin to

<sup>1</sup> In New York Age, October 5, 1905. p. 3.

*Apropos* of horses and coachmen, it may be remarked that another striking loss suffered by the negro is in the almost total displacing of the colored jockey by the white within the last twenty years.

learn, as the Northern did long ago, that the negro is not the only race on earth engaged in such occupations.

The opposition of the union is as old as the freedom of the negro, but it is difficult to measure the rapidity of its progress. Mr. Washington declares that the absence of industrial prejudice at the South furnishes "the entering wedge for the solution of the race problem." "But too often," he says, "where the white mechanic or factory operative from the North gets a hold the trade union soon follows, and the negro is crowded to the wall."<sup>1</sup> He candidly acknowledges that in no part of the South is the negro "so strong in the matter of skilled labor as he was twenty years ago." We need not be surprised that so farseeing a man watches with what we may well believe is genuine apprehension the slow but steady encroachment of Northern white men and foreigners upon the negro's ancient Southern stronghold. Nor to hear him reiterate, time and again, such expressions as those in an address before the American Academy, in Philadelphia, last February: "In many respects," he said, "the next twenty years are going to be the most serious in the history of the race. Within this period it will be largely decided whether the negro is going to be able to retain the hold which he now has upon the industries of the South, or whether his place will be filled by white people from a distance."<sup>2</sup>

A few years ago I happened to be in the office of a leading contractor in my town when he was discussing the erection of a local cold storage plant with a representative of a Chicago packing house. The Chicago man broached the question of the kind of labor to be

<sup>1</sup> *Future of the American negro*, p. 79.

<sup>2</sup> Same language in *Future of the American negro*, p. 75.

used on the building. The contractor told him, as a mere matter of course, that it would be negro labor, as practically his entire force was so constituted. The Chicago party said that if this got back home all the carpenters they had from Chicago to Omaha would strike. The contractor replied that we had no labor unions, that he employed whom he pleased, and that it was negro labor or nothing. Suppose such a situation should arise in a Northern town, if indeed enough negro carpenters could be found to make it possible. The result would be the discharge of the colored carpenters. How long will it be before the same story shall be told in the South?

There are evidence that the tide of industrial ostracism of the skilled negro is turning southward. After the great fire in this city two years ago, I was somewhat curious to see the part which the eighty-odd thousand negroes in its population would take, or be permitted to take, in its rebuilding. During the twelve months following the fire I visited Baltimore a number of times, and on each occasion spent considerable time in research work in the burned district. I was hunting for a negro mason, or carpenter, or plumber,—but if he was there, I failed to discover him. And yet labor had been drafted for this emergency work from every city in the North and East. I found him only as a hod carrier, or employed in wheeling away debris. In Washington last March I watched the erection of a great platform on the east plaza of the Capitol, with a seating capacity of 5000 people. Upon it was to stand, while taking the oath of office, the man who more than any other recent American has been held in the public eye as the exponent of the square deal,—for the negro as well as for the rest of us. Yet in all that work no

negro found employment, save in some menial capacity.

How far this movement shall extend before it is arrested, or whether or not it will ever be arrested at all, are questions upon which I shall not stop to speculate. Perhaps your own conclusions may be aided somewhat by those of the best living authority on American negro statistics, carefully and conservatively stated as they are, for the decade ending with 1900. In stating the loss and gain of the negro in industrial pursuits during this period, Professor Walter F. Willcox thus closes the account: "He has lost ground in the South as a whole in the following skilled occupations: carpenter, barber, tobacco and cigar factory operative, fisherman, engineer or fireman (not locomotive), and probably blacksmith. He has lost ground also in the following industries in which the degree of skill implied seems somewhat uncertain: laundry work, hackman or teamster, steam railroad employee, housekeeper or steward." "The balance seems not favorable," he says. "It suggests that in the competition with white labor to which the negro is being subjected he has not quite held his own."<sup>1</sup>

If we may predict with reasonable certainty anything whatever of the future of the negro, it seems safe to lay down the elementary proposition that the home of the masses of the race must remain in the Southern states, and that their destiny must be worked out upon the soil. Their wisest leaders apparently are in accord upon this point. Says Mr. Washington: "More and more each year, I feel that . . . the salvation of my race will largely rest upon its ability and willingness to secure and cultivate properly the soil."<sup>2</sup>

<sup>1</sup> Census statistics of the negro, *Yale Review*, Nov. 1904, p. 286.

<sup>2</sup> Annual report, May 30, 1901, p. 8.

The field of the negro's activities thus becomes doubly circumscribed and the fixing of his hold upon that field ceases longer to remain a mere question of expediency and wisdom. It becomes a matter of vital moment and racial concern. It is here that the masses will have to meet the crucial test of the future. Here, in the field that has been the negro's for so many generations, I believe is to be witnessed some day the ultimate economic struggle in America between the negro and the white man. Mr. Washington says that he does not believe that "the masses of colored people are yet fitted to survive and prosper in the great Northern cities to which so many of them are crowding." "The temptations are too great," he says, "and the competition with the foreign population, with which they there come in contact, is too fierce."<sup>1</sup> The tide of immigration is turning slowly Southward, and in my judgment the competition of the cities of the North is to be repeated in Southern fields. Mr. Washington sees this coming, if I read his words aright, for he thus warns his people: "If we neglect to occupy the field that is now before us in the South, it will become there as it is in the North—we will be excluded by those who are strangers to our tongue and customs."<sup>2</sup>

More than twenty-five years ago Frederick Douglass took the so called Kansas exodus of Southern negroes for the text of an exultantly boastful address on the dependence of the South upon the negro. His words and predictions are of peculiar interest now, as a sort of warning to sociologists to avoid the shoals of prophecy. "Only a few years of non-tillage," he said, "would be needed to give the sunny and fruitful South to the bats

<sup>1</sup> *Charities*, October 7, 1905, p. 19.

<sup>2</sup> Same, p. 17.

and owls of a desolate wilderness. From this condition, shocking for a Southern man to contemplate, it is now seen that nothing less powerful than the naked iron arm of the negro can save her. For him as a Southern laborer, there is no competitor or substitute. The thought of filling his place by any other variety of the human family will be found delusive and utterly impracticable. Neither Chinaman, German, Norwegian, nor Swede can drive him from the sugar and cotton fields of Louisiana and Mississippi. They would certainly perish in the black bottoms of these states if they could be induced, which they cannot, to try the experiment. . . . Hence it is seen that the dependence of the planters, land-owners, and old master-class of the South upon the negro, however galling and humiliating to Southern pride and power, is nearly complete and perfect. . . . He stands today the admitted author of whatever prosperity, beauty, and civilization are now possessed by the South, and the admitted arbiter of her destiny."<sup>1</sup>

About twelve years after this dogmatic proposition was enunciated, I had occasion to investigate the condition of a few Italian families living in my section of Mississippi. This is a region which for years was considered the negro's impregnable stronghold, the one place, indeed, wherein his freedom from competition and the white man's dependence upon him were as absolute as Douglass imagined. Before this my attention had been attracted by a reference of John Stuart Mill to the achievements of the Italian metayer. I too wrote an article and indulged in a little prophecy. As the latter happens to have been verified, I am willing to resurrect it. It was that within fifteen or twenty years

<sup>1</sup> *Life and times*, Hartford, 1881, pp. 437 and 438. See also below, p. 324.



we would see the white man's ability to more than successfully compete with the negro in the latter's strongest field demonstrated through the medium of the peasant farmers of Italy. My prediction was ridiculed by newspapers, North and South, and even many of my friends thought I was indulging in impossible theorizings. For Douglass' idea, not mine, was the popular one. It has been the curse of the South for a hundred years that her people have clung tenaciously and stubbornly to a conviction, never reasonable or well founded, that negro labor was essential to the cultivation of her soil. Douglass simply gave expression in offensive and exaggerated terms to a belief which in its essentials had for years been a tenet of Southern political and economic faith.

No wisdom was necessary to such a forecast as I made. Common sense, an acquaintance with what the Italian agriculturist had accomplished at home under a far less favorable natural environment, and a long and intimate familiarity with the negro farmer,—only these were required. No great credit may be claimed for simply pointing out the probable outcome of a contest between thrift and improvidence, between steady, continuous, intelligent labor, and the mere brute strength of the negro's "naked iron arm", spasmodically and shiftlessly applied. Do not understand me as suggesting that any sudden revolution in Southern agricultural and industrial conditions is about to take place. Thousands, I might say hundreds of thousands, of Southern white men prefer the negro, under any and all circumstances, to any class of white labor. The problem for the negro is a larger one than that; it is whether in the years to come he is to acquire his share of the soil; whether he or the white man is to bring and hold under the subjec-

tion of the plow the millions of now undeveloped acres of the South; whether in the progress of what seems destined to be one of the greatest economic developments America or the world has seen, he is to play the part of an active, forceful, dominant, contributing factor and beneficiary, or is to be a mere hewer of wood and drawer of water, content with felling the trees for others to reap the reward. We are now merely at the insignificant beginning of a movement of the years, the very opening of a struggle between white and black in which there will be no element of sentiment, where sympathy will have no place, where the negro will be called upon to prove his right to live, or accept the consequences of failure,—where "success" will be "equality's" one and only test. The contest will not be in the slums and alleys of the city. It will be fought out in the open field, under the sun and upon the soil,—where the world may look on.

It is only in the last few years that we have begun to approach such questions as the one before us with a determination to sift the evidence with the sole object of learning the truth. In consequence, as yet we have little comparative data at hand, and few widely separated local studies, upon which to base safe conclusions. We have a great deal to learn along this line, and sweeping generalizations are worth but little when it comes to testing the economic efficiency of a race. But in the light of what we know of the results of competition along industrial lines, we may be justified in hazarding a few speculations as to the outcome of such a contest in the field of agriculture.

Prof. Willcox properly says that the most important occupations for negroes are those of "agricultural laborers, farmers, planters and overseers, and laborers

not specified." These occupations "include two-thirds of all the negro breadwinners." Some light is thrown upon the matter of competition along these lines by Prof. Willcox's statement that the Southern negroes so occupied "increased between 1890 and 1900 by 30.4 per cent, the Southern whites in the same occupations increasing in the same period by 43.5 per cent. As a result, the non-Caucasians constituted in 1890 44.4 per cent of the population in these classes, while in 1900 they constituted 42.0 per cent."<sup>1</sup> While such figures would seem to indicate that already the white agriculturist is gaining on the negro numerically, they furnish no warrant for assuming that the negro's position is thereby necessarily seriously threatened. They tell us nothing of the comparative efficiency of the two classes,—one of the most important tests by which to measure the probable outcome of competition.

The President of the Mississippi Agricultural and Mechanical College has contributed something toward assisting us in forming an opinion on this matter of efficiency in a study of conditions in several Mississippi counties. "Lowndes county, with three negroes to one white man, having 21,972 blacks and 7121 whites, requires 3.15 acres to make a bale of cotton, while Jones county, with three whites to one negro, having 13,156 whites and 4670 blacks, requires 1.98 acres to make a bale. The farm lands of Jones county are valued, as found in the census reports, at \$2.85 an acre, and the farm lands of Lowndes county are valued at \$9.83 an acre. Yet the poor lands of Jones county, under intelligent cultivation, produced nearly twice as much per acre as the rich lands of Lowndes county when cultivated mostly by negroes. Noxubee county, with more

<sup>1</sup> Census statistics of the negro, *Yale Review*, Nov., 1904, p. 283.

than five blacks to one white, having 26,146 blacks and 4699 whites, requires 3.50 acres to make a bale of cotton, while Union county, with three whites to one black, having 12,380 whites and 4142 blacks, requires only 2.56 acres to make a bale. The farm lands of Noxubee county are valued at \$7.12 and the lands of Union are valued at \$4.81. Hinds county, with three negroes to one white man, having 39,521 blacks and 13,037 whites, requires 2.50 acres to make a bale, while Perry county, with more than two whites to one negro, requires only 1.96 acres to make a bale. The farm lands of Hinds are valued at three times as much as are those of Perry. In the counties of Leflore, Bolivar, and Washington, where they have about eight negroes to one white man, but almost without exception the negroes are under white managers, they make one bale to every acre and a half, while in Lowndes, Noxubee, and Monroe, where not many white managers are employed, they make on an average about one bale to three acres. While this difference is partly caused by a difference in the fertility of the two groups of three counties, yet the principal reason is due to the superior intelligence used in the management of the first group. This is proved by the fact that in every comparison made between a white county and a black one the black was the most fertile, yet the white was nearly twice as productive."<sup>1</sup>

The necessity and effect of some form of white supervision of negro farm labor, as alluded to by President Hardy, are now recognized throughout the South, wherever such labor receives from white merchants or planters advances of cash or supplies. Many thousands of negroes who appear in a census enumeration as

<sup>1</sup> Prof. J. C. Hardy in *The South's supremacy in cotton growing*, p. 9, Mfra. Rec. Pub. Co., Baltimore Md.

"farmers" really work under the constant and immediate supervision of a plantation owner or manager. Thousands of others, similarly enumerated, are under either the general and occasional supervision of a "riding boss" or some other form of crop inspection. A number of years of observation, and a correspondence covering the entire cotton belt, satisfy me that such supervision is steadily becoming more generally recognized as a necessary incident to the business of advancing to, or operating with, negro labor. Mr. Kelsey, in his very valuable monographs thus alludes to this system: "The landlords and the advancers have found it necessary to spend a large part of their time personally, or through agents called 'riders', going about the plantations to see that the crops are cultivated. The negro knows how to raise cotton, but he may forget to plow, chop, or some other such trifle, unless reminded of the necessity."<sup>1</sup> I recently asked a friend who has lately begun to introduce Italians on his plantation, in what particular respect he most preferred them to negro labor. His reply was: "I don't have to spend my life in trying to make them work. After the first year I don't even have to show them what to do."

As in this paper it is the white immigrant, and more particularly the Italian, whom I have in mind as the probable competitor of the Southern negro, I have been to considerable pains in personally investigating the efficiency and general economic condition of the largest group of cotton growing Italians which I have been able to discover. This probably is the most important experiment of its kind in the South,—for the reason that it is not only the largest but also the oldest,—and,

<sup>1</sup> The negro farmer, p. 30.

further, because it has been the subject of a great deal of discussion. Repeatedly it has been pronounced a failure by men and writers who could have had no first-hand information concerning it. I have reference to the colony at Sunny Side, Chicot County, Arkansas,—on the Mississippi river, between Memphis and Vicksburg, and nearly opposite Greenville, Mississippi.

I need not go into the details of the early history of this experiment. It is enough to say that it had its inception in a plan of the late Austin Corbin, of New York, to sell to Italians a large body of cotton land in Arkansas. Through no fault of Mr. Corbin's the Italians sent over as purchasers consisted of families representing a number of heterogeneous occupations, instead of being taken solely from the farming class.

If I were to attempt to make a cotton crop in Mississippi with a lot of negro oystershuckers gathered along the Maryland and Virginia coasts, failure would be stamped upon the experiment before it was forty-eight hours old. Italian fruit vendors, cobblers, and organ grinders are no more farmers than are negro oystershuckers. There may have been incidental faults of management also, but they do not concern us. Mr. Corbin died, and his experiment was pronounced a failure. One more prop had been placed behind the wall of the American superstition of the eternal and necessary conjunction of a negro and a mule for the production of a bale of cotton.

Of those families who left, some went in one direction, some in another. A number of them settled about seventy miles from Fort Smith, Ark., and founded what is now the flourishing and growing colony of Tontitown. In 1898 a business arrangement was entered into between the Sunny Side Company and

Messrs. O. B. Crittenden & Co., cotton factors, of Greenville, Miss., and the active management of the property passed into the control of experienced resident cotton planters. These gentlemen were business men, pure and simple, and with them the whole matter was and is solely a business proposition. They knew nothing of the Italian and cared nothing, from any sentimental or altruistic standpoint. They were not engaged in an attempt either to solve the problem of the distribution of our foreign immigration, or to relieve the congestion of New York tenement districts. I doubt if any member of the firm had ever read "How the other half lives." On the other hand, they did know a great deal about the plantation negro. But neither were they engaged in any philanthropic experiment in this line. They simply took the two as they found them, without favor or prejudice on either side,—save some misgivings as to the remnant of Mr. Corbin's "Italian experiment."

The number of Italian squads in 1898 was 38, with 200 working hands, cultivating 1200 acres of cotton. Of negro squads there were 203, with 600 working hands, cultivating 2600 acres of cotton. At the end of 1905, after eight years, there are on the property 107 Italian squads, with 500 working hands, and 38 negro families, with 175 working hands,—an increase of 69 squads and 300 hands for the Italians,—a decrease of 165 squads and 425 hands for the negro. The total cotton acreage has increased to 3900, of which the Italians are cultivating 3000 acres and the negroes 900. This bare statement of numerical loss and gain is of itself pregnant with meaning. It becomes doubly significant when we analyze the operations of the period under investigation. Beyond the number of families,



hands, and acreage, the details for 1898 are not available. As the current year's business is not yet closed, I shall eliminate it also. This gives us a six year period for a comparative exhibit of the two classes of labor, working literally side by side, their land indiscriminately allotted, each on the same tenure, each under the same conditions of soil, climate, and management. I shall confine this exhibit to the salient features of the operations. These are the number of families and hands, cotton acreage and production, and value per hand. I shall consider only the cash commodities of cotton and seed, and shall reduce the figures to annual averages.<sup>1</sup>

This gives us the following results: Average number of squads: Italians 52, negroes 167; average number of working hands,—Italians 269, negroes 433; average number of acres per working hand,—Italians, 6.2, negroes 5.1; average pounds of lint per hand,—Italians 2584, negroes 1174; average pounds of lint per acre, Italians 403, negroes 233; average cash product value per hand, (cotton and seed),—Italians \$277.36 negroes \$128.47; average cash product value per acre,—Italians \$44.77, negroes \$26.36. Thus the Italian is seen to have produced more lint per hand, by 1410 pounds, or 120.1%, and to have exceeded the negro's yield per acre by 170 pounds, or 72.9%. The difference in money value in favor of the Italian was \$148.89 per hand, or 115.8%, and \$18.41 per acre, or 69.8%.

It is apparent that in the matter of the showing of

<sup>1</sup> For the privilege of securing this and other data concerning the operations of this property, I am greatly indebted to Messrs. O. B. Crittenden & Co., of Greenville, Miss. My thanks are also due Mr. J. B. Ray, bookkeeper, and Mr. Shelby Wright, manager, Sunny Side, Ark., and to my partner, Mr. Julian H. Fort, Dunleith, Miss. Without their generous co-operation this study could not have been made.

production per hand, the Italian had the advantage of the negro by reason of the fact that his average exhibit is for a smaller number of hands. But he worked 6.2 acres per hand as against 5.1 acres for the negro, and produced 170 pounds more lint per acre. It must also be borne in mind that the negro was cultivating a crop with which his race has been familiar for generations, while the Italian had never seen a stalk of cotton before coming to America only a few years ago. Until shown, they did not even know the difference between the plant they were to save and the weeds they were to cut out in the process of cultivation. But notwithstanding the difference between the two in point of efficiency, a difference which is no longer a matter of controversy where the two are practically known, the vital difference is to be found in the story which each has to tell from year to year and season to season. To state it bluntly and coldly, it is for the negro a recital of conditions as old as his freedom: too much time spent out of his crop, and away from his work; too much waiting for the weather to improve; too much putting off to a more convenient season; a too constant and too successful besieging of those in authority for money accommodations and supplies; too little reckoning against the future day of settlement; too much "leaning on the Lord," and too little upon himself, in things not spiritual; too much living for today and not enough for tomorrow. With the Italian it seems to be simply a grim determination to have more at the end of this year than he had at the end of last,—regardless of weather or price; to wrest from every square foot of the soil he rents all that nature can be forced to yield; to get a visible, tangible return for every dime and hour he spends; to live on less than he makes, whether the

latter be much or little; to hire nothing done that he can do himself; to keep the future ever in mind, and to lay by a store against age and a rainy day.

Let a few typical accounts speak for themselves. A negro with three grown working hands in his family cultivates 19 acres and has an account of \$750.58. He makes \$506.80 worth of cotton and seed, and owes a balance of \$243.78. He made only 230 pounds of lint per acre, or 1460 per hand, but even this would have left him in fair shape but for his account for supplies and extra work in his crop. These items alone amounted to \$11.98 per acre, or \$75.96 per hand. On the other side of a "turn row" we have an Italian with three working hands, two grown and one a child, working 20 acres. They owe a balance of \$139.00 for transportation from Italy, and their total account for the year is \$394.54. Of this they owe not one cent for help in their crop, and their supply bill is \$3.17 per acre, or \$21.14 per hand. They make \$804.25 worth of cotton and seed, and have a cash balance of \$409.71. The essential difference, I believe, lies in their accounts. They will not hire work done for them where they can possibly avoid it, but when it does become necessary, they will exert every effort to make enough themselves by outside work at convenient times to offset what they hire.

Take the account of a negro who paid his current debts and had a balance. He had three grown hands, cultivated 25 acres, and made \$730.20 worth of cotton and seed. His account was \$671.26, leaving him a balance of \$58.94 above his account. His supply bill amounted to \$13.12 per acre and \$109.37 per hand. His yield of lint was 253 pounds per acre and 2106 pounds per hand.

Nearby an Italian with four grown hands and two children demonstrated the possibilities of "intensive farming" on alluvial land by working only 20 acres with his extra large force. He produced 685 pounds of lint per acre, while his yield per hand was only 2283 pounds,—but little more than that of the last mentioned negro. His account was \$543.35, and his crop brought \$1596.00, leaving a balance of \$1142.65. In contrast to this we have another group of Italians, with the same force as the one just mentioned, four grown hands and two children, working more than twice as much land. They had 43 acres, and made 437 pounds of lint per acre, and 3135 pounds per hand. This squad has been on the place several years, and is reputed to have accumulated more than \$15,000.00 in cash. It goes without saying that they owed no supply account. Their other account, rent, ginning, etc., amounted to \$426.66. Their crop brought \$2172.10, leaving a net balance of \$1745.44.

The first of these two squads illustrates what may develop into a tendency of considerable sociological importance. This is the withdrawing of their women and children from regular field labor as soon as the step is warranted by an improved economic condition. Here and there this is being done, though in no case until the stage in which their labor is necessary has been passed. It is frequently true that although women and children are included in the statement of working hands, they merely assist at intervals, according to the necessities of the crop. Any forecast here would be gratuitous, but it is not unlikely that after a single decade any large group of Italian agriculturists would make a much better showing in this regard than either the negro farmer or the Southern white mill operative. No large

class of our population can make substantial social progress as long as its women and children are compelled to play the rôle of breadwinners in the field of manual labor. I have seen Italian families disembark in my town from New Orleans fruit luggers, and within ten to fifteen years pass through all the gradations of peddlers, oyster dealers, and restaurant keepers, and finally emerge as prosperous merchants and property holders. In every instance the women did their share of the drudgery as long as it was necessary, but eventually became only the mistresses of their homes. The point of the matter is that there is not one Italian fruit vendor in the town who is not today striving to emulate the successful examples of his fellows. I do not believe the Italian agriculturist is different in this respect from his urban brother.

To again glance at their accounts. Here is an Italian who worked  $19\frac{1}{2}$  acres with two grown hands and two children. He has practically the same acreage and force as that of the negro first mentioned above. The negro had three grown hands, and 19 acres. The difference between the results of the year's work for the two was due more, probably, to the fact that the Italian contracted no supply account than to their respective crops. The Italian made 488 pounds of lint per acre, which was more than double the negro's yield. But his 1586 pounds per hand was only 126 pounds more than the negro's 1460. But the negro's account for supplies and extra work amounted to \$75.96 per working hand, while the Italian has no such account at all. The Italian's account, all told, rent, etc., was only \$216.81,—while his crop brought \$1,096.15. He thus had a net balance of \$879.34.

I believe the difference is to be found in their accounts

as well as in the character of their work. Of course, with a greater production there is room for heavier accounts, if the tenant sees fit to gratify his wishes. But I know it to be a fact that even with his present degree of efficiency, the negro could very greatly improve his condition if he would constantly try to keep his account down as the Italian does, instead of continually seeking to gratify his wishes and whims with a blindly fatalistic disregard of the future. In a plantation experience of more than twelve years, during which time I have been a close observer of the economic life of the plantation negro, I have not known one to anticipate the future by investing the earnings of one year in supplies for the next. On the contrary, I have personally known scores of them to fritter away thousands of dollars paid them in cash balances, in ways that would be absolutely beyond discovery. I have seen a man and his wife leave a plantation office in the morning with \$150 in cash, spend the day in town, and return in the evening with no money, and practically nothing to show for it. I have also known them, time and again, to leave money to their credit on the plantation books, and absolutely insist on buying their supplies on credit, and at time prices. We have such accounts on our books today, notwithstanding that we repeatedly attempt to show them the folly of such methods, and try to induce them to use their money in a businesslike way. The idea seems to be that the money from a crop already gathered is theirs, to spend as fancy suggests, while the crop to be made must take care of itself, or be taken care of by the "white folks". This sounds ridiculous, and is ridiculous,—but it is also none the less true. The money thus thrown away by the negro the Italians put to cold-blooded business uses. They will take ad-

vantage of a discount offered on a \$150 purchase of supplies, and I have known instances of their offering to pay land rent a year in advance for a similar consideration.

It is a knowledge of such facts as these, and a familiarity with the "average traits" of the negro agriculturist, which cause me to believe that from the negro's standpoint the problem is much graver and more difficult than one of mere efficiency alone. Prof. H. T. Kealing, himself of the race, thus speaks of the negro's "improvidence and extravagance": "He will drop the most important job to go on an excursion or parade with his lodge. He spends large sums on expensive clothing and luxuries, while going without things necessary to a real home. He will cheerfully eat fat bacon and 'pone' cornbread all the week in order to indulge in unlimited soda-water, melon, and fish at the end. In the cities he is oftener seen dealing with the pawn-broker than the banker. His house, when furnished at all, is better furnished than that of a white man of equal earning power, but it is on the installment plan. He is loath to buy a house, because he has no taste for responsibility nor faith in himself to manage large concerns; but organs, pianos, clocks, sewing-machines, and parlor suites, on time, have no terrors for him."

I can bear witness to the accuracy of this picture. We have to post plantations against various kinds of itinerant "agents," or be harassed at the end of each year by the efforts of foreign concerns, generally in the middle-Western States, to force money out of our negroes for every imaginable article peculiar to such commerce. These things range from gaudily illustrated "family

<sup>1</sup> The negro problem, p. 176.



Bibles" to "sure cures" for rheumatism, and nostrums guaranteed to straighten the hair and bleach the skin. Western mail order houses also do a heavy C.O.D. business in this territory, largely in pistols, sewing-machines, and medicines. Meanwhile, throughout the year, the Italian peddler drives through the country in a covered wagon, and exchanges with the negro the "soda pop", sausage, fish, et cetera, mentioned by Mr. Kealing, for the few stray dimes that chance to remain on hand from the last trip to town.

We need not multiply accounts for the mere purpose of comparison. The general results possess a meaning sufficiently significant. Of the 110 Italian squads who started to work at the beginning of the current year, 44 were new arrivals. Yet of the total number, 65 squads, or 59% had no supply accounts during 1905. That is to say, practically all who were on the place last year were in a condition of independence this year. Of the 61 negro families who began to make crops this year only 2, or 3.2% of the whole, are independent. This situation may be understood when we know that back of it lies the fact that to the 66 Italian families in 1904 cash balances above accounts were paid in the sum of \$38,764.58, an average of \$587.35 per squad. Of the 110 negro families in 1904 two drew total balances of \$480.50, while the firm had on its books at the end of the year the sum of \$6456.20 in negro balances due. (I have a friend, operating on a much smaller scale, who last year charged off to profit and loss \$4300 due him by the negroes on his place.)

Take another illustration of what these operations have meant for the two races: There are 107 Italian squads at the end of 1905. Of these 104 own 123 head of work stock, and other live stock, such as cattle, sheep

and hogs, to the total value of \$23,400.00. Only three squads own no stock. Of the 38 negro squads 21 own work and live stock to the total value of \$3360.00, and 17 own no stock. This indicates a failure to improve their condition upon the part of the negroes as a whole, and a grossly unequal distribution of property as well. Of 107 Italians but 2.8% have no share in the general wealth; of 38 negroes 44.7% have no such share.

Further testimony to the prosperity of the Italian in his new environment is hardly necessary. I may only add that the best evidence of their satisfied estate is the fact that each year some of them furnish transportation for friends or relatives at home. But wherein lies the advantage to the landowner over the negro tenant system? This question is pertinent, for in its ultimate answer will be found the key to the attitude of the employer of agricultural labor toward the question of foreign immigration to the Southern States. Without touching the broader aspect of the question—the advantage to the general welfare of efficient over inefficient labor—I would answer specifically by suggesting three points of superiority for the Italian: First, I would put a permanent and assured tenantry; Secondly, thorough and careful cultivation of the soil, without the necessity for an almost paternalistic supervision of the labor; Thirdly, following as a natural sequence to the other two,—greater safety and larger freedom from losses in furnishing, and, ultimately, the employing of a smaller operating capital.

As a cotton planter, the greatest fault I find with negro labor is not its improvidence or shiftlessness. Certainly these are a source of annoyance to the planter, but they much more vitally concern the negro himself. They constitute the handicap which, unless removed,

will cause him to lose the race to the foreigner. But the planter's greatest trouble arises out of the negro's unreliability,—the fact that he cannot be depended on to be governed by considerations of self-interest; that he changes his habitation in response to the most trifling and whimsical suggestions, and frequently for no reason at all; that out of any group of plantation families we never know toward the close of one year upon how many we may depend for the next—regardless of what they tell us,—nor how many will carry through a crop after they have contracted to do so.

Here again we may draw on Sunny Side for an instructive comparison: 110 Italian squads began crops in 1905, and 107 carried them through. One left because of sickness, one ran off, and one was made to leave. Sixty-one negro squads began the year, and 38 went through; 17 "turned back" their crops, and six ran off. Of the Italians 97.2% stayed through the year; of the negroes, 62.2%. Whereas with the negro we have the constant difficulty I have mentioned, of not knowing with certainty at the end of one year whose places will have to be filled for another, with the Italians the reverse is true. They come up of their own volition during August and September and arrange their affairs for the following season. And so quickly do they become wedded to a particular allotment of land they are rarely willing to change. When they do, it must be clearly to their interest to make the move. A few have returned to Italy, but a year before their departure they arranged to have their land taken by some relative, and thus retained it in the family. The opportunity which the negro yearly casts to the winds of improvidence the Italian embraces as something too valuable to fritter away. There is nothing new about any of these traits.

This Italian group has been built up largely through additions brought over by those on the ground, from year to year. Possibly they may be above the average of their class, but I have no reason to think so. Certainly these negroes are not below the average of theirs. The statement of the characteristics exhibited by these Italians might be received with incredulity by a man accustomed all his life to negro labor. But this would be due to ignorance on his part. They are as old as the metayers of Lombardy, Piedmont, and Tuscany themselves,—those frugal and industrious peasants who made the valley of the Arno one of the garden spots of the world. I wish I could give you a description of these people at home,—as quoted by John Stuart Mill from Arthur Young, Châteaueux, and Sismondi. I commend the chapter on metayers in Mill's first volume to anyone interested in the subject we are discussing. But perhaps a more modern picture may serve our purpose, especially as it is by a practical cotton planter, who recently went from Mississippi to Italy to study at first hand its peasant population. Mr. Charles Scott, of Rosedale, Mississippi, says: "I visited some of these people in their homes. They received me cordially, and I was most favorably impressed with them. They are a stalwart, industrious, and hardy race. I found them frugal and temperate in most things, and while somewhat peppery and excitable, as might be expected from their climate and antecedents, they are not vindictive, but seem to 'carry anger as the flint does fire.' \* \* \* \* \* Their diet was simple and inexpensive. A Southern plantation negro would scorn to accept a similar ration. \* \* \* \* \* These men are already good

farmers, and on the whole have the right material in them for the making of good American citizens."<sup>1</sup>

Perhaps the most broadly characteristic feature of negro agriculture is to be found in the almost universally neglected garden. Nowhere else is the contrast presented more strongly by the Italian. Right here is told in humble eloquence the story of thrift, economy, care, the thought of small things,—the whole gamut of homely traits which go to distinguish the ultimately successful tiller of the soil from the man who ultimately fails. Mr. Kelsey says: "In all parts of the South it is the custom for the negroes to save a little garden patch about the house, which, if properly tended, would supply the family with vegetables throughout the year. This is seldom the case." He quotes as follows from a Tuskegee catalogue: "If they have any garden at all, it is apt to be choked with weeds and other noxious growths. With every advantage of soil and climate, and with a steady market if they live near any city or large town, few of the colored farmers get any benefit from this, one of the most profitable of all industries."<sup>2</sup> To this Tuskegee description I would add this testimony, as I have given it elsewhere:

"Given equal soil and equal climatic conditions for growing cotton, and the odds are with the man who cultivates his crop best and most carefully. The Italian works more constantly than the negro, and, after one or two year's experience, cultivates more intelligently. In comparing the two it is scarcely necessary to go beyond the appearance of their respective premises and fields to gain an insight into the difference between them. The general condition of the plantation premises occupied by

<sup>1</sup> Manufacturers Record, Nov. 9, 1905, p. 423.

<sup>2</sup> The negro farmer, p. 31.

negroes, under whatever system of cultivation, has been an eyesore in the cotton states for more than a generation. The spectacle of broken-down fences, patchwork outhouses, half-cultivated fields, and garden spots rank with weeds, is too familiar to the traveler through the Southern states to need description here. The destructive propensity of the negro constitutes today a serious problem on many a well ordered plantation. On the property in which the writer is interested the effort to maintain the premises of the negro tenants in keeping with the general appearance of the plantation seems yearly to become a more hopeless undertaking. It seems difficult to escape the conclusion that back of all this lie the characteristics that apparently have always been a curse to the race—whether in Africa, the Southern states, or the West Indies—shiftlessness and improvidence.”

“On the other hand, the appearance of the Italian cotton grower’s immediate surroundings, working on the same tenant system as the negro, is alone sufficient to tell the story of the difference between the ultimate end and purpose of the labor of the two. The contrast is not alone in the things that appeal to the eye; it is much more emphasized in the respective uses made of the same material and opportunities. From the garden spot which the negro allows to grow up in weeds, the Italian will supply his family from early spring until late fall, and also market enough largely to carry him through the winter. I have seen the ceilings of their houses literally covered with strings of dried butter beans, pepper, okra, and other garden products, while the walls would be hung with corn, sun-cured in the roasting ear stage. In the rear of a well kept house would be erected a woodshed, and in it could be seen

enough fire wood, sawed and ready for use, to run the family through the winter months. These people did not wait till half-frozen feet compelled attention to the question of fuel, and then tear down the fence to supply their wants. Nor would they be found drifting about near the close of each season, in an aimless effort to satisfy an unreasoned desire to 'move' ".<sup>1</sup>

Elsewhere I have given the results of "A plantation experiment", as made on the property in which I am interested.<sup>2</sup> A study of the figures given there will lead to the conclusion that the negro can produce as much as the Italian. And so he can; but production is only half the story. And another consideration must be borne in mind: namely, that the Dunleith experiment was conducted on new land, far above the average in fertility, and, above all, that it was a highly paternalistic enterprise. I know of no other plantation in the South where the negro has been, or is likely to be, surrounded by economic conditions equally as favorable. But the milk in that cocoanut is that the experiment failed, absolutely and lamentably failed, to accomplish its purpose. This was to build up a respectable, industrious, and *reliable* body of tenants,—while this very thing *has been accomplished* on the Sunny Side property, by the simple expedient of the substitution of a different class of labor. Further than this, from the negro's standpoint also it failed. For, despite an artificially stimulated efficiency, there was lacking the final essential of thrift. He made, but he did not save.

I hold no brief for the Italian. As far as he is con-

<sup>1</sup> "The Italian cotton grower; the negro's problem", Alfred Holt Stone. *The South Atlantic Quarterly*, Jan. 1905, pp. 44 and 45.

<sup>2</sup> *Quarterly Journal of Economics*, Feb. 1905, pp. 270 et seq.



cerned my interest is purely one of abstract economics. For the masses of the negro race I have only the kindest feeling. There is not a white tenant on Dunleith Plantation, nor will there be until we are driven to that recourse by the negro himself. I do not believe it will ever come my way to do these people a greater service than right here, if only my voice could reach them, by pointing out, as I see it, the only key to the safety of their future economic position. There is a great deal of unrest in my section over the labor question. Within the last few months I have traveled more than 2500 miles through ten Southern states, and have also corresponded with men in every part of the South. I do not speak idly when I say that Southern people in constantly increasing numbers are more and more coming to the conclusion that they must at last put forth a determined effort to render themselves independent of the negro,—to begin in some degree the final supplanting of the latter by the white man. My study of conditions is not so superficial as to betray me into ignoring the fact that Southern economic development during the past two decades has greatly outstripped the growth of Southern population. But this does not tell the whole story. The resulting "labor scarcity" is more apparent than real. The streets and purlieus of our towns are filled with idlers by day and prowlers by night. If the vagrancy statutes of every Southern state were suddenly enforced the jails would be filled to overflowing. We offer the wages demanded, but it is difficult to find those who are willing to accept steady employment. In a town full of negroes we have had to largely substitute coal as a cooking fuel because we could not get stove wood cut. On a plantation with nearly 300 negroes surrounding them my partner's wife has frequently,

for long periods, had to patronize a city laundry. I sometimes wonder if the story of Jamaica and the West Indies is to be repeated in the South. It is so easy to exist, by various and devious means, that our negroes in alarming numbers are ceasing to care to do much more than live from hand to mouth. Thousands of them are doing it today, and too many other thousands are tending that way. Already here and there, scattered throughout the South, even in many smaller towns, white domestic servants may be seen. There are white barbers and bootblacks, and white men in every other trade and calling. States and railroads and private organizations are discussing the question of foreign immigration with increasing earnestness. I know that a few leading negroes have ridiculed this incipient movement, even as Frederick Douglass ridiculed it as a possibility a quarter of a century ago. The most prominent negro editor in the United States has said that the South is merely putting up a "bluff". But I believe the Southern people are in earnest. As I have said, the negro possibly has it in his power to arrest this movement, at least for many years. He can do it, in a measure at least, by making of himself a reliable, dependable factor in the economic life of the South, but not by any other means within my view. I say he *can* do this. But will he? It would mean a revolution in the present social and industrial life and habits of the masses. To me the outlook for such a course does not seem encouraging. And how long will he require for the process? for meanwhile the world will not stand still.

But in a broader view even this would be but temporary; a mere postponing of the inevitable. This life of ours is, and is likely always to remain, a ceaseless

struggle for supremacy among nations, and races, and individuals. Heretofore he has been largely shielded by conditions, partly economic and partly geographic, but it would be unwise for the negro to cherish the delusion that he alone of all mankind is to remain forever exempt from such a contest. Nothing is more surely written in the book of fate than that he will have to meet it, soon or late. I have quoted Mr. Washington's opinion that he did not believe the masses of his people fitted to face the competition of Northern cities. There the result of such competition has turned mainly upon the considerations of efficiency, reliability, and thrift,—with some account to be taken of Northern economic race prejudice, if I may use the expression. The white people of this country are fundamentally alike as regards their attitude toward the negro. However much this may be denied on each side the line, as to some particular aspect of the question, its essential truth will gradually be made manifest, as economic and political conditions shape themselves toward greater uniformity between the two sections. Even though we may safely eliminate the factor of industrial prejudice from a present consideration of competition in the South, we need not deceive ourselves. Eventually we shall have to face it; as soon probably as the South awakens to a realization of the fact that in her industrial rivalry with the rest of the world she is handicapped by labor of a normally low degree of efficiency,—and begins really to stimulate foreign and domestic immigration. But aside from this, what of the other factors? Have we any grounds for assuming that they would be any less potent South than North, in turning the scales against the negro? I have never indulged in dogmatic assertions about the present of the negro, and I shall certainly not

begin with a dogmatic prediction as to his future. I have merely tried to indicate some of the factors and results of such a contest, as they have already been wrought out before us in a sort of mimic warfare. Is any man, qualified to speak by familiarity with the negro masses, prepared to promise that in a larger field, upon a broader stage, the end of the struggle would not be the same?

It will be a slow process of attrition, when it really comes, this working out of the results of competition. It will not be attended by any sensational features. There will be nothing sudden about it, nor will it mean the extinction of the negro as an economic factor. It seems to me that its effect will be merely to submerge the incompetent mass, and elevate, in that very process, such as can weather the storm. In its last analysis, it will be his own, not the white man's hand, that closes in the negro's face the door of economic hope,—for only he can keep it open. If the story of the fate of the old time business negro of New York and Philadelphia in the years to come shall be related of the negro agriculturist of the South, it will be for the latter but a final reaping of the fruits of Reuben's ancient curse: "Unstable as water, thou shalt not excel."

My conception of the treatment of the question before us does not involve an outlook upon the thirteenth census. On the other hand, I am not projecting it into a future too remote for practical consideration. I have not founded conclusions upon isolated phenomena, nor am I particularly concerned with this or that group of conditions, save as they disclose the results of the working out of what reasonably seem to be persistent factors. The particular demonstration of relative efficiency be-

tween Italians and negroes which has been used here, would lose nothing of its significance if through some adventitious circumstance the Sunny Side colony were wiped out of existence tomorrow; or if for reasons sufficient unto themselves the operators of that property were immediately to displace every Italian on it, and return to negro labor. I have merely endeavored to deal with forces already widely and actively at work, and with human traits the operation of which has already been unfolded to our view. If these constitute two groups of fixed elements in the problem then the future is no more uncertain than are the operations of the natural laws by which we forecast the outcome of any other struggle between weakness and strength. True, "the race is not always to the swift, nor the battle to the strong;" but in this case the initial distance between the contestants would seem too great to be overcome by time or chance.

Very likely it will be urged that I have given the point of view of the employer of negro labor, and have too greatly emphasized the force of the weaker side of the negro masses. The other side has been presented many times, in the attempt to make out a case against the white man which would lift the onus for existing conditions from the shoulders of the negro. Mr. T. Thomas Fortune quotes from Dr. DuBois the statement that "in well-nigh the whole rural South the black farmers are peons, bound by law and custom to an economic slavery, from which the only escape is death or the penitentiary." He adds his own to this effect: "It is a dark and gloomy picture, the substitution of industrial for chattel slavery, with none of the legal and selfish restraints upon the employer which surrounded and actuated the master. And this is true of the entire

mass of the Afro-American laborers of the Southern states."<sup>1</sup> I submit the picture just as it is drawn. This is not the place to discuss the question of its fidelity to truth. My only comment is that I am not able to fathom the buoyancy of spirit which can believe in the accuracy of this presentation of the negro's present economic condition and at the same time profess a hope for his future. It is idle here to confuse the practical question of actual conditions with the ethical question of cause. For our purpose we need not stop to multiply words in an effort to determine where rests the burthen of responsibility. Between the white man and the black it is likely always to remain a disputed question. This is human nature. But a man who has ceased to breathe is equally dead, whether he came to his death by assassination or suicide. If the end is to be the same, the negro masses will not be particularly interested in the academic question of causes and means. If the white man is responsible for the negro's condition; if the latter cannot remove the obstacles from his own path, then his economic future no longer remains within the field of speculation, and the efforts toward his industrial training become a mockery to him and a fraud upon those who support them. But I take the view which at least holds something of hope for the negro, in that it does not entirely remove his present or future from the range of his own individual efforts. As I have expressed it elsewhere: "When the friend of the negro masses would know the whole truth behind the forces which today most militate against the material progress of the race, he must go deep below the surface of troubles which the white man can remove or rectify."<sup>2</sup>

<sup>1</sup> The negro problem, pp. 228 and 229.

<sup>2</sup> Quarterly Journal of Economics, Feb. 1905, p. 286.

In the larger sense there is another aspect of the negro's life that must be considered in attempting to estimate his future. The two gravest obstacles to be overcome by the race are improvidence and immorality,—each in its broadest significance. Of the first I have already said quite enough. Of the second I shall let Mr. Washington and Dr. DuBois speak for me. The former says: "No one who wants to be honest and at the same time benefit the race will deny that here is where the strengthening is to be done."<sup>1</sup> Dr. DuBois says: "The evil is still deep seated, and only a general raising of the standard of living will finally cure it." In this connection he says of the negroes of a Georgia county: "Perhaps ten per cent compose the well-to-do and the best of the laborers, while at least nine per cent are thoroughly lewd and vicious. The rest, over eighty per cent, are poor and ignorant, fairly honest and well meaning, plodding, and to a degree shiftless, with some but not great sexual looseness."<sup>2</sup> I might alter some of these proportions, but, applied to the country as a whole, they tell the story well enough as they stand.

Here then it seems to me, is the first great problem of this people,—the problem of the moral elevation of the masses, whose status will at last determine that of the race as a whole. No man is further than I from attempting to discount the value to a race or nation of its exceptional few,—the wealth it has in the possession of a "talented tenth." But, after all is said and done, the race, it seems to me, must stand or fall by the character of the masses of its people. It cannot be

<sup>1</sup> The future of the American negro, pp. 168-170.

<sup>2</sup> Souls of black folk, pp. 141-143.




saved by the poetry of Dunbar, by the novels of Chestnut, by the music of Coleridge-Taylor, by the surgical skill of Williams, or by the culture and intellect of the distinguished man who has just addressed you.

In his work on "Social evolution" Mr. Benjamin Kidd says that the future demands that we realize more clearly just what constitutes superiority and inferiority of race. He says that science gives us no warrant for claiming superiority for a certain race on the ground alone of color, descent, or even high intellectual capacity. In his opinion the only test lies in the measure of the possession of "qualities contributing to social efficiency," and high among these he places "strength and energy of character, humanity, probity and integrity, and simple-minded devotion to conceptions of duty in such circumstances as may arise." Mr. Kidd quotes Mr. Lecky's opinion as to the causes of the prosperity of nations. The latter's words are more impressive than his own, for they apply to races as well as nations, to black as well as white. And here is his judgment on real "prosperity",—which the friends and leaders of the American negro may not unprofitably take to heart: "Its foundation is laid in pure domestic life, in commercial integrity, in a high standard of moral worth and of public spirit, in simple habits, in courage, uprightness, and a certain soundness and moderation of judgment which springs quite as much from character as from intellect." And his conclusion seems to me to be especially applicable to our discussion: "If you would form a wise judgment of the future of a nation, observe carefully whether these qualities are increasing or decaying."<sup>1</sup>

<sup>1</sup> *Social evolution*, Kidd, pp. 348-350, quoting from Mr. Lecky's *The political value of history*.

The negro has often demanded another standard than that of race as a measure of his capacity and value as a people. Here is one, severe possibly, but fair: The extent to which the race as a whole shall prove its ability to lay the foundation of "a pure domestic life", and erect thereon a superstructure of character and moral worth. If it shall establish the capacity of its masses to meet this test, then it will have proved its title to a place among the superior races of the earth,—and this regardless of your opinion or of mine, or of that of our fathers before us. But, though it become ten thousand times richer than it is today, and overflow the land in numbers, and fill all offices of profit, if it fail in this supreme criterion it will still be an inferior people. The foundation of the greatness of England and Germany and America does not consist of material things alone, nor of the brilliant achievements of their "talented tenths". It is to be discovered in the character of the home life of their great average classes,—the masses of their people. It is the latter which makes possible, and assures, the former, and there is no shorter, easier road for the negro than for the white man. Then the current measure of the real progress of the race is to be found in the extent to which the characteristics of one or the other of its two extremes—its highest or its lowest class—are most impressed upon the mass. It is not alone in the possession of houses that the foundations of prosperity, as Mr. Lecky defines it, are laid; nor in their possession alone that racial advance is indicated. It is, rather, in the extent to which these houses possess for their owners the true significance of homes. This test is sound, but difficult of certain application. It is easier to enumerate the houses of a people than it is to count their homes.



## THE ECONOMIC FUTURE OF THE NEGRO DISCUSSION.

ROSCOE CONKLING BRUCE: The weightiest single truth emerging from Negro affairs is, perhaps, the increasing aggregation of this people in pretty well defined areas of black belts. With the agricultural and social black belt of Alabama I am here particularly concerned. This is the "prairie region" by virtue of a black, calcareous, highly fertile soil, rich in humus, which closely resembles the fertile soil of the western prairies. Thrown over a plain of Cretaceous rocks, the Central Prairie Belt is from 35 to 45 miles in width and crosses lower Alabama from east to west twisting to the north. The mean elevation of this region above the Gulf of Mexico is about 200 feet. Pine clad hills rising from 150 to 250 feet above the plain, enclose it north and south. In Frederick Law Olmsted's classic map of the Cotton Kingdom (based mainly upon the census of 1850) the prairie is designated as producing less than two bales of cotton to each slave and hence a "subordinate cotton district," but as having more slaves than freemen in the population.

Though emancipation secured a certain mobility to Negro labor, the geographical location of the major black belts has not greatly changed. Since the war the congestion of Negro population has increased. Restricting attention to Alabama, we find that the twelve counties in each of which in 1900 the Negro population comprised over 70% of the whole, form a continuous belt across the state largely coinciding with the Central Prairie Belt. The aggregate population of these counties was 438,000 of which 85% was Negro.

The ratios of Negro population to white in this area have been :

1880	-----	3.6 to 1
1890	-----	3.8 to 1
1900	-----	3.5 to 1

In the thirty year period (1880-1900) the Negro population has increased 27 % and the white has decreased 18 %.

If the Mississippi Delta black belt be climatically protected against white incursion, the Central Prairie, (with a mean annual temperature approximating 63 degrees Fahrenheit and an annual rainfall approximating 51 inches) seems to be protected by stronger barriers than its pine clad hills—by social barriers. The white farmer is indisposed to immigrate to a region where he and his sons will be engaged in the same grades of common labor as Negroes and where white associates are scarce. On the other hand, the Negroes find the social climate of white counties, like Dekalb and Winston, where less than 1 % of the population is Negro, insalubrious.

Only a word need be said of the immigration of the foreign born into the Central Prairie. Bearing in mind that in 1904 only 3 % of the European immigrants were headed for the South Atlantic States and only 1 % for the South Central, we are not surprised to find that only 3 % of the aggregate population of the prairie region is foreign born and that almost one half of the foreign born are in the city of Montgomery. Certainly the Italian peril is in the region of hypotheticals. Although the black, calcareous, highly fertile soil of this royal domain of 9000 square miles, holds out great inducements to white immigration, there seems no reason to suppose that the causes which have built up and are

sustaining this social black belt, are apt to decline in potency at least the next fifty years.

Under these circumstances, it becomes interesting and important to enquire whether tendencies assuring the Negro's increasing industrial efficiency, are apparent in the life of this black belt.

At the outset, it must, of course, be confessed that the white county Negro makes a better showing statistically than his black county brother. Comparing twelve white counties in northern Alabama with the twelve black counties, we find that of the total Negro population ten years of age and over in 1900, 51% were illiterate in the white counties and 67% in the black. In the white counties the Negroes were in charge of 2800 agricultural holdings and of this number they owned some part of 1000 or 37%. In the twelve black counties Negroes were in charge of 50,000 holdings, and owned some part of only 4000 or 8%. "The industrial experience of the two races", remarks the census with oracular impersonality, "justifies the conclusion that the segregation of the Negroes in the South or North inures to the benefit of neither race. The Negro, at least, makes the better progress the more closely he is associated with the white man and the more he is enabled to see in the example of the white man an incentive for becoming a land-owner. Take away this example by segregating the colored man from the white, as in the black belt of the South, repeat Haiti in a lesser degree, and some of the Haitian conditions are reproduced". Now, a word of caution may be appropriate with respect to ownership of land as a criterion of industrial efficiency. The value of land in the white counties is low and in the black counties the plantation system operates against the sale of small

parcels on easy payments. After all reasonable qualification is made, however, I think it must be admitted (as Mr. L. G. Powers pointed out in 1901) that on the whole the industrial efficiency of the white county Negro is higher than that of his brother in the black belt and that this is due largely to the presence in the one case and the absence in the other of the white man's example. Is the Central Prairie, then, tending toward Haitian conditions?

I wish to indicate one or two considerations which show that the absence of the white man's example has some important compensations in the prairie region.

The first and most obvious compensation lies in the fact that direct industrial competition is the seed-bed of race friction. At best the white man looks upon working along side a black man at a "nigger job" with extreme repugnance. And to make matters worse, the Negro has always greeted a white man picking cotton, with jocular scorn; to the white man the joke is exasperating and the scorn intolerable. My personal observations in the Delta of Mississippi confirm Mr. Stone's contention that the absence of a white laboring class—particularly farm laborers—accounts very largely for the rather amicable relations there between whites and blacks. To a perceptibly less extent in the prairie (in 1900 the ratio of Negroes to whites was in the Delta 7.1 to 1 and in the Alabama prairie region, 5.5 to 1) the amicable relations between whites and blacks are notable. The distribution of lynchings, one might expect, would throw some light upon the relations of the races. But, the most recent student of this subject, Doctor Outler, says: "In the comparison of the percentage by lynchings with the percentage of Negroes in the population by counties no correlation can be

clearly distinguished." In Wilcox county the Snow Mill Institute for the industrial training of Negroes was fathered and is largely sustained by the great planters, particularly the well beloved Simpson family; in Macon county the work of Tuskegee Institute would have been impossible were it not for the sympathetic interest and active coöperation of the leading white citizens. Such instances, of course, prove nothing; I cite them merely as illustrative expressions of the disposition of the substantial whites of the black belt to coöperate in movements which tend to raise the level of life of the Negro population. For the Negro store-keeper to rely largely upon white patronage is rare in the white but no novelty in the black belt. That the small amount of race friction already developed in the white counties has by no means reached its acute stages, it were idle to deny. Should immigration from the North or from Europe increase in volume, it would go chiefly to the white counties and thereby tend to make their social climate more insalubrious to the Negro than ever before. Germans from the neighborhood of Cincinnati, settling since the war in Winston and Culiman counties, have in some fashion reduced the total black population of the two counties to twenty-eight lonely souls. In the white counties, every industrial advance of the Negro, every industrial advantage gained over the competing whites, every evidence of material prosperity, every effort at the industrial organization of black men carries in its bosom serious risks. It is concrete experience of this situation that helps impel the ever increasing resort of substantial Negroes to the protection of the black belt. I think I am perfectly safe in affirming that, by eliminating white field laborers from direct competition with black, the



segregation of Negro population tends to lessen race friction and in the long run to offer the Negro a wider range of industrial opportunity.

A second compensation for the absence of the white man's example lies in the fact that the mass of the Negroes quickly find themselves ill prepared to compete even on equal terms with the whites. Mr. C. F. Stout, the psychologist, has called attention to the idea that "probably the most essential factor" in the decay of backward peoples before advancing civilization is their inability to "apperceive" the new experience rushing upon them, to adapt themselves to the social and industrial conditions actually confronting them. Disappointment, discouragement, a haunting suspicion of impending ill, and a broken spirit ensue. To be sure, the white county Negro is ahead of his black county brother, but he is very far, indeed, behind his white competitor. Daily and hourly the superior efficiency of the white impinges upon the black man's consciousness, embittering a naturally cheerful disposition and provoking a wondering dismay which easily passes into discouragement. The white belt produces from one-fourth to one-half a bale of cotton to the acre on poor land—the same product that the black belt produces on next to the best land in the South. To no small extent the whites use selected seed, plant an increasing variety of crops, rotate their crops, use fertilizers with some intelligence, plow diligently to avert the effects of drouth, readily take to implements and machinery, stick to their tasks with a degree of constancy, practice many minute economies both in production and in consumption; and consequently they forge steadily ahead. If the Negro learns more rapidly here in the white counties, he loses (I think) much more of his buoyant optimism than is

well. . . "The light-hearted hopefulness or the absence of care which so agreeably characterized the race a couple of generations ago," says Doctor Thom of the Sandy Spring, Md. Negro, whose industrial condition is relatively good, "is largely gone." The struggle for existence in the midst of economically competitive and socially antagonistic surroundings has had its saddening—perhaps its hardening—effect upon these people." Something of that sort I have repeatedly observed in the Negroes of the white zone; whatever it be,—and, you may be sure, it is not merely the replacing of childish joyousness with adult seriousness—it bodes no good. And one must remember that in the white zone the black man—the most sociable creature in the wide world—finds himself a castaway and pariah cut off from the very important social resources of every considerable Negro community.

Recognizing that the Black Belt offers some important compensations for the absence of the white man's example, let us note some changes in the Central Prairie region so far as the last two censuses permit.

The increase in population from 1890 to 1900 was 59,000, in consequence of an increase of 71,000 in Negro population and a decrease of 12,000 in white. The aggregate population of the villages, towns, and cities increased 37.4% or 18,000. The agricultural population was augmented by over 41,000. In the cities and towns, the whites increased more rapidly than the blacks. The diminution of aggregate white population is due to serious losses in the agricultural districts; and, hence, the proportion of Negro farmers is much greater today than in 1890.

In considering the matter of farm ownership, in the Central Prairie, one must remember that the scarcity of

labor in all these years has been enough to tempt every landlord to invoke the utmost rigors of the crop lien system to tie his Negroes to his lands; and that the profitableness of the tenant system in the Central Prairie is such as to prevent effectually any considerable offering for sale of small parcels of land on reasonable terms. There was an increase in the aggregate number of persons who own some part of the land they till—from 9600 to 11,000 or 13.8%; but the proportion of owners to the aggregate number of farmers decreased from 21.7% to 17.8%. In view of the decrease by emigration of over 12,000 whites; and the increase of over 71,000 in Negro population, largely by immigration; and the probable consolidation of land-holdings consequent upon the rising price of cotton,—in view of these considerations, I see no reason to assume any decrease in the number of Negro farm owners. On the contrary, if there was a general betterment of conditions among the great body of black farmers, there would be good ground to assume an increase in the number of Negro farm owners.

Gradual but substantial improvement in the industrial condition of the great body of Negro farmers in the Central Prairie is certain,—such a statement is abundantly justified, I feel, by my personal observation and enquiry of experienced and competent critics. But, there is happily some statistical evidence to the same effect. From farm laborer to share tenant, from share tenant to cash tenant, and from cash tenant to owner—these are, broadly speaking, the steps which the Negro must take toward economic independence. "The renter for fixed money rental," says Doctor Dubois very truly, "belongs in the highest of the emerging classes. The sole advantages possessed by this class are their freedom

to choose their crops and the increased responsibility which comes through money transactions. While some of the renters differ little in condition from the metayers, yet on the whole they are a more intelligent and responsible class, and are the ones who eventually become landowners." It is precisely in the enlargement of this class that we should look for the Negro's industrial advance. Now, the aggregate number of agricultural holdings in 1890 was 40,400; whereas ten years later the number had increased to 61,400 of which 81.7% were in charge of Negro farmers. In spite of a decrease which must have been considerable, in the number as well as in the proportion of white farmers, the number of cash tenants has increased from 64% of all tenants to 84%; the increase in absolute number was almost six times as great as the total number of white cash tenants in 1900. Despite the immigration, there has unquestionably been, therefore, notable improvement in the condition of the masses of the black farmers. Of the 50,000 Negro farmers in the Central Prairie region in 1900, 77.5% were cash tenants. That this improvement in industrial condition is an expression of increasing efficiency, I think there can be no reasonable doubt.

This conviction is not weakened by inspection of the statistics of tenure of farm homes. (The figures for 1890 and for 1900—the first referring to *all* families and the second *private* families—are so nearly similar in character that proportions based upon one of them are "entirely comparable" with similar proportions based upon the other.) 16.8% of all farm homes in 1890 were owned in part by the families occupying them, and 17.4% in 1900. There was an increase of 2600 or 33.4% in the number of owned homes. Taken in connection with the greatly increased numerical predom-

ance of Negroes in the agricultural districts; and with the great increase in cash tenants, indicating a general upward movement,—taken in connection with those things, this increase in ownership of farm homes lends very strong probability to the idea that here is a further expression of the betterment of the Negro farmer's industrial condition and his enhancing efficiency.

Despite the gravest disadvantages, the industrial condition and efficiency of the black farmer in the blackest of Alabama's black belts have, I believe, substantially improved. Segregation has doubtless retarded immediate material progress by eliminating the white man's example; the progress made has been won without that advantage and will doggedly be held. The Black Belt folk are not stolid and stunned; they are hopeful despite the serfmaking proclivities of the crop lien system—hopeful and eager too. To no paltry extent they are shrewd in learning and in applying the lessons of hard experience. Tendencies are clearly apparent in this Black Belt, I say, that substantially assure the increasing industrial efficiency of the Negro farmer.

Several very interesting industrial experiments are in process in the Central Prairie and at least two of them—one at Tuskegee and the other at Calhoun—have already won no small measure of success. The aim of these land schemes is to make possible the buying of small farms in the prairie region on reasonable terms and easy payments. This is wholly a beneficent application of philanthropy at 8%. Perhaps, the most important service of such enterprises lies in stimulating neighboring planters to build better houses for their tenants, to charge less interest, to temper the asperities of the crop lien.

The work of educational institutions like Tuskegee

Normal and Industrial Institute for the moral and industrial training of the sons and daughters of the black farmers, has passed the experimental stage. The aim of such schools—small ones, meagerly equipped, are scattered here and there at points of vantage—is to return a goodly proportion of their students to live and labor as centers of influence in the Black Belt and to equip them specifically for such service. Tuskegee Institute has sent out from its classrooms and shops and farms six or seven thousand young men and women with quickened faculties and reasonable aspirations, with definite skill in some trade or industry, with the habit of continuous labor thoroughly ingrained. These young people have lived in a well-ordered school community administered by Negroes, long enough to receive its practical stamp and hopeful spirit. It is to such trained black men and women that the nation must look more and more for quickening the pace of the Black Belt Negro.

Nor can I omit mention of the very important work of Farmers' Conferences of the Tuskegee type. The Tuskegee Conference has disseminated information as to rotation of crops, fertilizers, improved machinery, and the like, far and wide among thousands of Negro farmers in the Lower South. The real function of the Conference, however, is not to instruct but rather to inspire. It reaches out for the farmers and their wives, calls them sharply to account for their shortcomings, praises them heartily for their humble achievements, and encourages them to even more persistent effort. Booker Washington thinks it decidedly worth while to prick the conscience of the Black Belt Negro.

In the hurly-burly of a highly energetic civiliza-

tion bent upon material achievement, the Negro is summoned to catch up and to keep up with peoples upon whose habits the discipline of centuries of civilized living has been stamped. For the Negro to have caught up in forty-five troubled years of freedom is inconceivable except upon a cataclysmic theory of social progress; that on the whole the Negro in the Central Prairie of Alabama has devolved notably and shows great promise for the future, is indubitable. The ultimate test is of course not absolute but relative development; but this test cannot be inexorably applied for many years because a vast and growing population cannot be supplanted in the twinkling of an eye.

CHARLES LEE RAPER: In the few moments which have been allotted to me I can speak of but one or two points. Dr. Dubois has told you of his conviction that the negro will, in spite of his low present economic position, go upward and onward in the economic realm, and that he will some day achieve an important economic work, especially along the line of agriculture. He has also declared that the negro's low present position is due largely to the prejudice and hatred which the white man has cherished toward his colored neighbor. Race hatred and prejudice, as Dr. Dubois sees it, have been and will continue to be the chief reasons of the negro's economic failure.

Mr. Stone has presented to you the fact that the negro as an agricultural laborer is now losing his position, not because of race prejudice but because of his economic inefficiency. He has shown how the imported Italian laborer is displacing the negro on the Southern cotton farms, in spite of the fact that the Southern cotton planter would because of his temperament and traditions prefer to employ the negro. In other words, he



has shown that the economic failure of the negro agricultural laborer is due to the lack of efficiency. He is further of the conviction that the negro's future position in agriculture will be inferior to that of the present. That stronger and stronger competition on the part of white agricultural labor will drive the negro to still lower groups of economic activity is the firm conviction of Mr. Stone.

My experience with negro laborers in the South and my study of the negro as an economic factor in the South and North have created in me a strong conviction that the negro is losing his present position not only in agriculture, but also in practically all the other aspects of economic activity, and I can not believe that this conviction of mine is the result of prejudice against the negro, for I was reared in a Southern community which did not believe in negro slavery and in which I was from day to day taught that color should stand in no man's way.

The point which Dr. Dubois makes that race prejudice and hatred are really the only obstacle to the negro's economic advancement, while in some respects partially true, is for the most part incorrect and false. I know of large and prosperous southern manufacturing communities, in which the author has had great influence, in which the negro has been looked upon with much human interest and sympathy and in which he has been given the best and fairest opportunity in agriculture, in manufacture, and in domestic service. In these very communities, in which the negro has had much in his favor, he has lost his position of advantage. No one can truthfully say that it has been because of race hatred and prejudice on the part of the whites, for such feeling did not exist to any noticeable degree

in these communities. This was really and truly because of the negro's lack of economic efficiency and stability. In these communities he has had his opportunity to advance in an economic way, but he has thrown the opportunity away, most probably forever. He could do the work if he would. One day he worked; the next he spent on a holiday and his machine was idle.

As I see it, the negro has in the main had a fair economic opportunity along the lines of agriculture, manufacture, and domestic service. In the aspect of business activity race prejudice on the part of the whites has not been great. This prejudice has been against the negro in a social and political way, rather than in an economic way. Not only does it appear to me that the negro has, for the most part, had a fair economic opportunity, but it also seems to me that he has lost it or has failed to make use of it. Mr. Stone and other Southern planters, who would do all in their power to aid the negro, tell us that the native white and imported Italian laborers are driving the negro agricultural laborers from the cotton field to other and less profitable fields of work. The manufacturers of the Carolinas and Virginia tell us that they have given the negro a fair opportunity to work in their factories and mills, and that he has been found seriously wanting in efficiency and especially in stability. The cry is heard in all parts of the South and in most of the places of the North where the negro abides that the negro is inefficient as a domestic servant, and in many places the negro is now being displaced by whites. Dr. Dubois tells us that the negro is losing his position in domestic service because of race prejudice against him on the part of the whites. He also tells us that the

negro woman is giving up her position in domestic service because her morals are corrupted by the white man. In answer to his first statement I would say that the Southern whites, at least, would prefer, upon the whole, to employ negroes as domestic servants. By temperament and tradition the Southern will select, all other things being equal, a negro rather than a white person for his domestic servant. In answer to the statement that the white man is largely, if not wholly, responsible for the negro woman's low sexual morals I would say that it is largely incorrect and false. The white man, unfortunately for himself and the negroes, does at times help to corrupt the morals of the negro woman, but that the negro woman herself and the negro man are largely responsible for a low state of sexual morals no one who knows the facts in the case can deny.

I would not for a moment contend that a dark economic future awaits every negro. A few negroes have already made important advancements in the realm of business, and to a few the future is fair. But for the bulk of them the economic future, as I see it, is dark and discouraging. The most of negroes have within forty years made slight, if any, advances over the economic position which they had during the days of legal slavery. When the Civil War came to a close and the Southern white man had lost enormously in human life and property, the negro had his greatest economic opportunity. He had almost undisputed control of the supply of labor, skilled and unskilled. But he completely failed to use his monopolistic privilege. The Southern whites have since that time increased much more rapidly than have the negroes, and now the South is economically bidding for the European laborer to

come to her fields and workshops. The negro has already lost his monopoly control of the supply of Southern labor. The native white man and the imported foreigner are driving him from the best places in the different economic groups. White competition is becoming stronger and stronger, and some day it will drive the bulk of the negroes to lower and lower groups of wealth producing. This increasing white competition will, most probably, stimulate a few negroes to do greater things, but for the most it will, it seems to me, be of decided disadvantage.

THEODORE MARBURG: The central idea of Mr. Stone's paper is that in slavery days the negro had a practical monopoly of the labor market in his section, that only since his emancipation has he been forced to compete to any extent with the whites, and that in this competition he is being worsted. Absolute advance or retrogression on the part of the negro since slavery days is less a factor in the question than his relative inferiority to the white man with whom he is competing at the present moment. Mr. Stone has here put his finger on a fundamental consideration, one around which the question of the economic future of the negro largely revolves.

Mr. Dubois's position is that the negro has never had a fair chance; that he has been and is hampered by certain facts, principal among which is race prejudice. With Mr. Dubois's plea for more equality of opportunity for the negro I am sure we all heartily sympathize.

It will help to an understading of the question if we lay aside prejudice and sentiment and face squarely the fact that what concerns the world is the upbuilding of

civilization in all parts of the earth ; that what concerns us in this particular problem is the upbuilding, spiritual and material, of the South. It matters little what race carries on the work. We want that race which is best adapted to it, whether its skin be white or black or yellow.

Of course, so long as the negro is with us we owe it to him and to ourselves to give him equal opportunity, or even special or paternal care, provided the latter does not interfere with our doing all we can for the more advanced race. There should be no artificial propping up of one race vs. another. If the Spanish race had been protected in California to the exclusion of the Anglo-Saxon, California today would not be making such contributions to civilization.

In the discussion of the negro problem we have had no suggestion from a responsible source that the negroes can be sent out of the country. The idea has been advanced by a prominent Southern man that the lapse of time would witness a mingling of the races ; that this would come about not through marriage but by a more unhappy process. However that may be, the negro is here and will probably remain here as a distinct class for generations to come. It is accordingly our duty to labor for his upbuilding. Turning to that side of the question we find that despite the lack of opportunity from which the negro has suffered and is suffering, the white man has done much for the negro in the South. The improvident habits of the negro have led to his accumulating comparatively little property, so that the bulk of the taxes in the Southern states are paid by the whites. It is the whites, therefore, who pay largely for the education of the negroes. In the decade 1890-1900, Louisiana, where the greatest illiteracy is shown, re-

duced the percentage of black illiterates over ten years of age from 72% to 62%. In Maryland, where it was formerly illegal to teach the negro to read and write, negro illiteracy was reduced in the same decade from 50% to 35%, so that there is promise of entirely stamping it out in Maryland in another generation.

The negro needs education more than we do. He lacks the natural inclination to moral conduct that has been acquired by us through generations of civilized life. To teach men to think, to concentrate their faculties, and to co-operate, President Eliot regards as the basic elements of education. And true education will inculcate these things. *The franchise alone cannot make any man free.* Plato defines the free man as he who has sufficient control over his appetites to be governed by reason in choosing between good and evil. In this sense the negro is not yet free, and will not be free until he learns to think. Then it is, and then only, that he will realize how much depends upon honesty in thought and word and deed, on faithfulness, steadiness, on self-denial, and provident conduct; in a word, on the things embraced in the term character. Only training, and generations of training, will effect this. The ability to co-operate, another of President Eliot's essentials of education, he lacks sadly. Bryce has pointed out that there is no such power in the Kaffir of South Africa who is admittedly superior to the Congo race from which our negro population descends. There is no evidence of any empire or important political unit ever having existed among them. Once acquired, ability to co-operate would save the blacks from the tendency to lapse to cruder social conditions which we now find where they are massed and left to themselves. With it would come the ability to help themselves; standards

would be set up and a great force, the opinion of their fellows, brought to bear for their uplifting. The right kind of education, which will include training of character, may develop in the negro these qualities.

Another factor in shaping the economic future of the negro is the existence of caste. The older communities grow, the stronger is the tendency to form hard and fast lines of class and caste. The Jim Crow law in the Southern states is only one manifestation of this natural tendency. When I say natural I do not mean necessary. It is natural to men to be selfish and greedy. Society is founded on the conscious control of natural tendencies in the individual, and we should consciously control and defeat this natural tendency toward class and caste. But the indications are that the negro, instead of acquiring greater social equality as time goes on, will be relegated to a still lower social position. The salvation of the South lies in white labor. The history of the black race since the Civil War shows that the South cannot rely upon the negro race to solve its problems. You will remember that at our meeting at New Orleans two years ago it was shown that two-thirds of the cotton crop of Texas and one-half of the whole cotton crop of the South at that time was raised by white labor. It is the duty of individual States and the federal government to encourage white immigration to the South, and if this position is correct the movement must inevitably add to the growing hardships of the negro race and profoundly affect its economic future. In other words, the forces which will make for the upbuilding of the South will probably at the same time operate against the negro.



M. B. HAMMOND: I have no desire to question the truthfulness of the picture which Mr. Stone has drawn for us of the present economic situation of the negro both in the North and in the South, though I can hardly agree with him in believing that the careful study of local conditions and the impressions of individuals, even of those who are tolerably familiar with the problem in hand, are to be preferred to the birdseye view of the situation which is to be gained by a study of the census figures. Both methods of investigation are undoubtedly needed and each should be made to supplement and correct the other, not to displace it as a basis for forming conclusions.

Now it should be remembered that the census figures do not present quite so sombre a picture as that which Mr. Stone has held up to our view. Compared to the progress made by the white race, that made by the negro is indeed small, and it is perhaps even less than we ought to have expected after taking into consideration all the difficulties the race had to overcome. It seems clear, nevertheless, that there has been *some* progress, as revealed in the decline in the percentage of illiteracy, the increase in the number of skilled and semi-skilled workers, the larger number of land-owners, etc.

We are here, to consider, however, not the past progress of the negro but rather his economic future. Like Mr. Stone, I do not care to risk my reputation on the shoals of prophecy. I shall use my time, therefore, in endeavoring to point out what, in the light of present tendencies, seems to be the problem presented to those classes upon whom will chiefly fall the responsibility for negro progress or failure.

Now, as already explained, information from all sources as to the movement of population goes to show that for the majority of the race the question of negro progress or retrogression is to be determined in the Southern states and particularly within that region which we call the lower South. This much being established, it is, furthermore, pretty evident that, in spite of a certain movement of the negroes to the towns and cities, the great majority of them will be engaged in agricultural occupations,—probably largely employed in the culture of the great Southern staple, cotton. It is not without some misgivings, it seems to me, that we observe this tendency of the negroes to segregation in the Black Belt.

It is true that it means that there will be less opportunity for friction between the negro and the white laboring-man, less opposition from organized labor, etc., and it may be that with the present lack of training on the part of the great mass of negroes and their disinclination to work steadily they are not able to compete with the better disciplined, better organized, and more industrious white laborers at the North or even in the manufacturing regions of the South. Nevertheless, the movement of the race southward means the loss of a certain stimulus to progress which one class always gets from another class on practically the same industrial plane but with a higher standard of living. The southern movement of the race is a condition which confronts us, however, and we are left to consider the fitness of the negro to survive in the South in competition with the foreign white labor which we are told is being slowly attracted thither.

The two serious hindrances to negro progress which strike every observer are the negro's economic in-

efficiency and the prejudice of the white race. Mr. Stone tells us that in industrial matters there is no prejudice against the negro in the South, that he may work side by side with the white man without let or hindrance, so long as he does not claim social equality with the white man. I am not at present concerned with the question of social equality, but I believe that there *is* an industrial prejudice against the negro in the South which is one of the greatest hindrances to his progress and prosperity. The feeling which the northern man entertains towards the negro is not usually due to a race prejudice, but is rather due to the fact that his experience with negro labor has usually proved disappointing. He has been reared to expect efficiency and progress as the normal attributes of any individual worker or class of workers. Too often his experience with negro laborers has shown these qualities to be lacking. When the chance to work is offered, he sees the average negro either declining it or promising to do the work and failing in his promise. If the work is undertaken, it is likely that it will not be completed or that it will be poorly done. The inability of the negro to find work in the North is not so much due to the fact that he is black, as it is to the fact that he has proved incapable of meeting the conditions necessary to his steady employment.

In the South the white man is influenced by the thoughts and beliefs which had been developed in the days prior to emancipation. Under slavery the negro was not expected to progress. He was confessedly "the hewer of wood and the drawer of water", and his unprogressiveness was always linked with the idea that he was a member of an inferior race. Any one who doubts this has only to read the literature of slavery

times where the burden of the cry is that slavery is necessary because the negro is not capable of progress. The Civil War put an end to slavery but it did not and, of course, could not at once eradicate this idea from the minds of the former slave-owners and their children, so that this lack of progress which the northern man regards as unnatural because it does not conform to his expectations, the southern man regards as a part of the natural order of things,—a weakness due to negro nature. If I have correctly stated the attitude of the typical white man in the South, I think you can see how serious a hindrance this is to negro progress. We all know that it is difficult for us to make progress in any line when nothing is expected of us. The white man in the South does little to help his negro tenants to progress because he feels that his efforts would be wasted, while the negro is little inclined to put forth efforts in this direction because he knows that nothing of this sort is expected of him.

This is to me the one doubtful element in the program which Mr. Stone has announced as desirable and as being the inevitable tendency of agriculture in the Black Belt, viz.—the placing of the negroes under the direct control and supervision of the white race in such a way as Mr. Stone has elsewhere indicated, that the relative status of the two races shall be rigidly observed and the negro shall be made to recognize his inferior position and pay respect and render obedience to the white man. The question is, will the white men who exercise such supervision, holding the notions they do concerning the negro, be the ones to stimulate progress in their subordinates. I do not object to the statement that the negro in the Black Belt stands in need of control and supervision, even of an extreme paternalistic

sort. Many of us, I believe, are of the opinion that this should be a benevolent despotism, that it should carry with it a feeling of responsibility on the part of the land-owner that the negro is entitled to make progress and that it is part of the white man's duty to see that the conditions are favorable to that progress. When Mr. Stone says that as a planter he is concerned only with the question as to the reliability of the labor he employs, not with the negro's improvidence and shiftlessness, he is endeavoring, it seems to me, to separate cause and effect. I fear, too, that there are not many of the absentee land-owners in the "delta region" who have interested themselves in improving the standard of living of their negro laborers and tenants in the way Mr. Stone has done. They are too likely to console themselves with the thought that the unreliability of the labor with which they have had to deal is inherent in the negro and that they must make the best of it. Too often their system of entrusting the management of their plantations to hired managers and making the success of this management depend entirely upon the profits is one which encourages rather than checks the improvidence of the tenants. I remember the manager of one large plantation in this region, whose employer living in New Orleans considered him as his best manager, telling me with some pride that during the picking season he paid out on Saturday so many hundred dollars each week and "before midnight," he said, "over at the store we have it all back again."

I believe also the credit system of the South—the crop lien system—which Mr. Stone thinks has been "so unjustly inveighed against", is today one of the chief hindrances to the prosperity and progress of both the negro and the white tenant class, and through its very

encouragement to spend rather than to save it has produced improvidence in the tenant and is an indirect cause of the unreliability of labor from which the planter suffers. I do not wish to be understood as believing that the problem of negro inefficiency is so simple that it can be solved by the application of a single remedy. In endeavoring to point out the way to progress, however, one ought to be able to specify difficulties in the way, and I am only trying to indicate those which seem to me the most formidable. Of these, none seems to me to be greater than the system of advancing supplies by a method of purchase which is not only uneconomical but which discourages thrift and independence. I believe that the chief responsibility for the continuance of this system rests upon the shoulders of the land-owner, that it is primarily his problem, and that an honest effort should be made to find a solution.

As to the methods by which the negro should himself endeavor to remove his present economic hindrances to progress,—inefficiency and race prejudice—I have been unable to see that any wiser plan has been evolved than that recommended by Frederick Douglass in 1853 for the free negroes of the North, and which in its present application in the South we associate with the names of Booker T. Washington and the Tuskegee Institute. I can, furthermore, see no danger in over-emphasizing, at the present time, the need of industrial education, so far, at least, as the negro in the South is concerned. This is not because I under-estimate the need of developing those political, cultural, social, and spiritual qualities in the negro which Mr. Dubois regards as so essential to progress. It is rather because I see in industrial education a first step in the direction of attaining this all-sided development. It must not be forgotten

that the negro as well as the white man in the South, is still affected by the ideas which have come down to him as a heritage of the slave régime. The most important of these ideas was that freedom meant a cessation from manual toil. As a result of this false notion the average negro has well nigh lost his habits of efficient and persistent labor. The compulsion to work of the slave days has disappeared, while the coercion of unsatisfied wants which could alone take its place as a promoter of persistent labor, has not yet made itself felt. This is, of course, largely due to the fact that the negro has not been compelled to remain steadily at work in order to maintain the old standard of living. Until a higher standard of purely material prosperity has been attained, I fail to see how the race can be expected to reap much advantage from the education which has other than industrial ends in view. The danger of holding up as an ideal the standard of commercial success which Mr. Dubois fears will be the result of the present emphasis on industrial education, is a real danger which confronts the college-bred white youth of the land, but my own feeling is that it is the lack of this ideal which is today one of the most patent defects of the negro. To learn the gains which will accrue to him from capitalizing his earnings is the first lesson he needs.

Industrial education has the further merit of being in the line of least resistance. As Mr. Stone has pointed out, there is no prejudice against the negro undertaking manual labor of any sort in the South, either on the part of the employers or that of the skilled white laborers. Progress which the race may make in this direction is therefore likely to meet with less opposition than in any other line. Perhaps the only criticism to be made of what has been done in this direction is that, considering



the occupation of the great majority of the race, too much attention has been paid to the mechanic arts and too little to agricultural education. Without questioning the capability of many negroes to succeed in professional lines, the description which Mr. Dubois has given us in his "Philadelphia negro", of the difficulties of securing sufficient employment along these lines to maintain a decent livelihood is not one which would seem to encourage, at present, many negroes to attempt to enter these professions. Perhaps, in course of time, the negroes in those portions of the South where they are most numerous, may develop a race-pride which shall cause them to employ members of their own race in the professions as well as in other lines in preference to employing whites. In the meantime their ability to hold their own in competition with the white race seems more certain if they can develop the degree of industrial efficiency needed.

H. W. FARNAM: There are two things which I should like the privilege of saying. One I state with some confidence, the other with great diffidence. Indeed, I shall place an interrogation point at the end of it. First, I think that we must all be on our guard against hasty generalizations. It is easy for a person who has observed a certain part of the South at close range to generalize, perhaps unconsciously, with regard to the whole situation, and it is still easier for one who reads the account of conditions in one section to assume that they are typical. I do not claim to be an expert on this subject. I have never lived in the South; I have not even married a Southern wife. But in the several visits which I have made to the South with a desire to learn as much as possible I have seen enough

to convince me of the great diversity of conditions. Not only are conditions different, but the individuals are different. On account of the large but varying infusion of white blood there is no homogeneity among those commonly classed as negroes. But I believe that there is also a very great difference due to variations in the characteristics of the African ancestry itself. It is, therefore, I believe, misleading to speak of *the* negro as if we had a fairly uniform type. Of course, the various so-called races of Europe which come to our shores, the Italians, the Germans, the Scandinavians, the Slavs, and the Irish, are in each case more or less mixed. But I believe that there is a greater homogeneity even in these mixed European races than in the so-called negro race.

Not only is the negro race not homogeneous, but as a race it is still undeveloped. Let us grant that many of the negroes as we know them today are lazy and without forethought. Can we confidently say how much of this temperament is due to racial peculiarities, how much to environment and history? The ancestors of the modern thrifty Germans were described by Tacitus eighteen centuries ago as being lazy, and loath to gain by sweat what they could get by blood. If one of these primitive Teutons could be resurrected, he would doubtless find himself quite unable to compete with his descendant, trained through generations to habits of industry and method. The negro race is still serving its apprenticeship, and there are in reality very few cases in which we can judge of its capabilities when properly trained. I was very glad that Dr. Dubois referred in some detail to the land-owning system at Calhoun. I am somewhat familiar with this work, and consider it a remarkable sociological laboratory ex-

periment. It is especially instructive, because the persons concerned represent the average uneducated field hands of a district in which there is little white blood and little white influence for good. If such persons can in a short time become self-supporting land-owners by the application of a system which is not in the least paternal, but merely puts such a premium upon thrift as generally exists in a normal society, and is based upon strict business principles, we must receive with some caution the statement that the negro race as such is necessarily shiftless and improvident.

The other thing which I wish to suggest rather than state is that in my opinion we already have in the South a caste system, and that we cannot properly understand the conditions, either economic, or social, unless we face this fact. This does not, of course, square with our political shibboleths. It does not harmonize with the commonly accepted teachings of christianity. We do not like the word, and I, unfortunately, have not time in five minutes to marshal my proofs. I will only say that any one who has carefully studied the Indian caste system cannot fail to see that its essential characteristic, namely, the prohibition of marriage between different castes, is sanctioned by law in the Southern states, and that there are many other parallels, one of which has been brought to my mind this morning by Dr. Dubois in his extremely suggestive account of the group system of industry. There are, of course, also many contrasts, which should not be overlooked, but which mark differences of application rather than of principle. If this analysis which, as I said in the beginning, I propose with much diffidence, should commend itself to those who are more familiar with the subject than I am, I should like to ask in conclusion

whether, in this very separation of races, which bears with such severity upon many individuals of the colored race, and which involves so much hardship and friction, there may not after all lie a certain protection? For we must remember that the race is still serving its apprenticeship. May not the system of group industries during this apprenticeship serve to shield the colored race from a competition with the white race in which it would be almost sure to be worsted?

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NOTE.

In its immediate contrast to this statement of Frederick Douglass', the following, which I am permitted to quote from a personal letter from Prof. Willcox, is interesting and significant: "Perhaps you have noticed the rapidity with which the Italians have been getting into the sugar cane districts of Louisiana. My attention was called to it today by noticing the statement in the report of the Industrial Commission that 'the Italians of those states (Mississippi and Louisiana) are rapidly dislodging the negroes from the sugar cane plantations.' I have picked out the five parishes of Louisiana each of which had more than 20,000 acres in cane in 1899. These five had 54% of the total sugar cane area of the state. In 1890 they included 960 Italians, or 12% of the total number in the state. In 1900 they contained 5007 Italians, or 29% of the total number in the state. In each parish also the per cent. of negroes in the total population decreased, and in four out of the five decreased more rapidly than the average for the whole state." The parishes in question are St Mary, Lafourche, Assumption, Terrebonne and St James. It is somewhat curious that in enumerating the various people who could not compete with the negro in the South Douglass should have overlooked the Italian.

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DIREZIONE, via Monte Savello Palazzo Orsini,  
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